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FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY SEPTEMBER 11 1998

FT Weekend tomorrow
The twists and turns of an operatic plot in the Forbidden City

Consumer electronics
DVD video sales jump boosts industry
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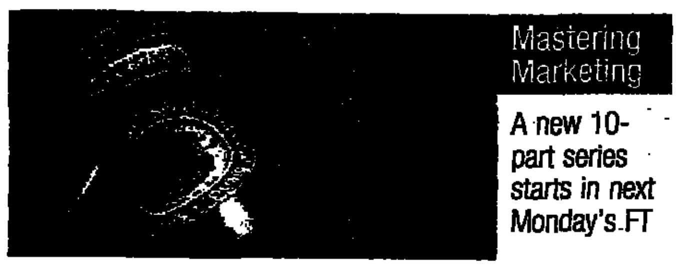
Germany's election
Greens – serious contenders for first time
Page 3

European Pensions
Common challenges, but no common market
Magazine



A new 10-part series starts in next Monday's FT

WORLD NEWS

Iran to send 80,000 troops to border with Afghanistan

Up to 80,000 Iranian troops were preparing for military manoeuvres along Iran's border with Afghanistan amid renewed tension after the discovery of the bodies of nine Iranian diplomats killed last month by Taliban forces. Page 4

Bosnia efforts face poll test
International efforts to rebuild Bosnia face a crucial test in elections this weekend, focusing on defeating the nationalists in the Serb-controlled entity. Page 2

Leap in US current account deficit
The current account deficit, the broadest measure of US trade performance, leapt 21 per cent during the second quarter as the Asian economic crisis continued to hit exports. Page 5

Warning to Angolan factions
UN secretary-general Kofi Annan warned that UN observers could withdraw from Angola unless the government and Unita rebels agree to stop fighting. Page 4

Euro zone divergence highlighted
Economic divergencies between countries in the euro zone were highlighted when Ireland reported its highest rate of inflation in six years and Germany its lowest since unification. Page 3

Europe-Vietnam accord ratified
The European Union and Vietnam ratified an agreement liberalising trade in textiles and clothing during 1998-2000. Page 4

Rights groups target Chiquita
US and European human rights and environmental groups urged Chiquita Brands to meet banana workers about alleged abuses on plantations.

Chinese ultimatum on Spratlys
China demanded that Vietnam immediately withdraw from disputed territory in the Spratly Islands in the South China Sea.

Mafia fears in Corsica
A French parliamentary commission said Mafia-like crime was on the rise in Corsica at a time when it was falling in Sicily.

Kosovo sanction in disarray
An EU ban on flights by Yugoslav airlines to punish Belgrade for its policy in Kosovo was in disarray after Britain said it would not apply the sanction for a year.

Gelli recaptured after four months
Police recaptured Licio Gelli, sentenced to 12 years in jail for fraud linked to the 1982 collapse of Banco Ambrosiano, after more than four months on the run. Page 4

Israeli aircraft hit hizbollah
Israeli aircraft launched a series of raids on suspected hizbollah guerrilla targets in Lebanon after the group killed four Israeli-backed militiamen with a roadside bomb.

Fossett and Branson team up
US balloonist Steve Fossett, who crashed into the South Pacific last month, will join British businessman Richard Branson in a joint bid to make the first round-the-world balloon flight.

BUSINESS NEWS

Deutsche Bank chairman points to more mergers

Deutsche Bank chairman Rolf Breuer said banks in Germany, France and Italy faced "massive consolidation" as the pressures of globalisation, the euro and electronic and internet banking forced them to combine in more competitive units. Page 14

Paribas, the French bank, announced first-half net income of FFr4.21bn ($728m), up 25 per cent from the same period last year, while profits at Banque Nationale de Paris were up 25.6 per cent at FFr3.99bn and Crédit Commercial de France rose 39.2 per cent to FFr1.12bn. Page 14

Volkswagen's Audi division pledged to preserve the independence of Cosworth, following completion of the UK engineering consultancy's sale by Vickers to the German group for £117m ($195m). Page 14

Globalstar Telecommunications, the US telecoms satellite operator, saw its share price drop by 43 per cent in early trading when a rocket carrying 12 of its satellites crashed after launch in Kazakhstan. Page 12

KBC, the new Belgian banking and insurance giant, played down prospects for an alliance with Rabobank but said there had been contacts over possible co-operation with its fund management arm, Robeco. Page 14

Olivetti stepped up its challenge to Telecom Italia's dominant position in the sector by launching a rival fixed-line service for the residential market two years before schedule. Page 14

Fund management associations from six European countries have written to Mario Monti, the single market commissioner, backing the relaxation of pension fund investment restrictions. Page 2

Union Fenosa, the Spanish energy group, and US company Constellation Power have agreed to pay more than $300m for stakes in three electricity distribution companies in Panama. Page 16

Greece's finance ministry announced the launch of privatisation bonds, convertible into shares in state-owned companies to be floated next year. Page 3

Promodès, the French retailer, reported a 17.6 per cent increase from FFr528m to FFr621m ($107m) in first half net attributable profits. Page 14

Skoda Auto, the Czech carmaker 70 per cent owned by Volkswagen, plans to build a $450m engine plant. Page 4

Volvo says it expects to raise margins in truck, bus and other non-car businesses by up to two percentage points. Page 14

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 19

Clinton set to face claims of lying under oath

By Richard Wolffe in Washington

President Bill Clinton apologised for his conduct to his cabinet yesterday as Congress prepared to release today the Starr report into the sex and perjury scandal engulfing the White House.

The 445-page report by Kenneth Starr, the independent counsel investigating the president, is understood to set out charges that the president committed perjury, obstructed justice, tampered with witnesses and abused his presidential powers.

Republican leaders of the House of Representatives took steps to publish the report on the internet this afternoon. Mr Clinton is expected to be accused of lying under oath, both in his evidence in the Paula Jones sexual harassment lawsuit as well as in his testimony before Mr Starr's grand jury last month. He also faces the prospect of charges that he used government staff to lie on his behalf and conduct legal battles to block the independent counsel's inquiries.

Henry Hyde, the chairman of the judiciary committee which would prepare any impeachment proceedings, said three sections of documents – among two sets of 18 boxes delivered yesterday – were ready for "quick dissemination". However, the report will not be published until after a full House vote, expected later today.

The documents include a 280-page narrative detailling the affair between the president and Monica Lewinsky, the former White House worker, as well as a 140-page argument setting out grounds for impeachment.

The Dow Jones Industrial Average was hit by worries that Mr Clinton would resign or be impeached. An hour before the close, it was down about 240 points.

Democrats appeared split on how to proceed, with some arguing that publication should be delayed to allow Mr Clinton time to respond to its findings.

Speaking after a meeting of the Democratic caucus, Richard Gephardt, the Democrat leader in the House, urged Congress to pause before plunging into impeachment proceedings.

"I think we have all got to take a deep breath and we have got to be patient, even after the report comes out, and wait until the proper evidence is in front of us," he said. "This is not a process where we just go with whims or rumours or half-facts or innuendo."

His statesman-like tone was echoed by Newt Gingrich, the House speaker, who warned congressmen to restrain themselves and to protect the decorum of Congress by not using "language that is personally offensive toward the president".

President Clinton met his cabinet yesterday for the first time since January, when he had said there was no truth in the reports of his affair with Miss Lewinsky.

Madeleine Albright, secretary of state, at that time led cabinet members in a public statement of confidence in Mr Clinton.

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Ulster leaders end taboo to meet and 'do business'

David Trimble, Northern Ireland's first minister, broke a longstanding unionist taboo when he met Gerry Adams (left), the Sinn Féin president, one to one for the first time. The historic encounter, which took place in a small, first floor room in the vast Stormont parliament building, was described by Mr Trimble as "civilised" although he said they had not shaken hands. Echoing Margaret Thatcher's description of Mikhail Gorbachev, Mr Adams described Mr Trimble as "a man who I can do business with". Report, Page 12
Pictures: Reuters/PA

Yeltsin names Primakov as compromise choice for PM

By Our International Staff

President Boris Yeltsin yesterday tried to break out of Russia's damaging political impasse by nominating Yevgeny Primakov, the acting foreign minister and former spymaster, as his prime ministerial candidate.

The Duma, the lower house of Russia's parliament, welcomed Mr Yeltsin's compromise move and said it would vote on Mr Primakov's nomination today.

The rouble appreciated against the dollar yesterday, rising to Rbs12.87 from Rbs15.77. However Hermes, the German export credit agency, said Russia had delayed payment for the first time on its sovereign debt obligations to Germany. Vladimir Potanin, one of the country's leading businessmen and a former deputy prime minister, predicted Russia would also soon default on its recently restructured London Club debt. He said that no matter what policies the government adopts, in the short term the economy was likely to deteriorate further.

Victor Chernomyrdin, twice rejected as a prime ministerial nominee by parliament, yesterday withdrew his candidacy, warning that the Communists were trying to stage a "creeping coup", which would lead to Mr Yeltsin's removal.

Mr Primakov, 68, is a former candidate member of the Soviet politburo and former head of the Russian spy service. Gennady Zyuganov, leader of Russia's Communist party, the biggest parliamentary faction, said Mr Yeltsin had made a rational choice with Mr Primakov. Liberal and centrist parties also said they would back him.

Mr Primakov's nomination is almost certain to end a conflict between the Kremlin and the Duma, which had threatened to force the dissolution of the legislature and pre-term elections. Mr Primakov commands cross-party support because he is viewed as a political heavy-weight but he has no clear economic policy or party affiliation.

Russian news agencies said Yuri Maslyukov, a leading Communist MP and the former head of Gosplan, the Soviet planning agency, might be given a prominent economic role in Mr Primakov's new cabinet. Communist leaders and Russian bankers said Victor Gerashchenko, a former central bank chairman known for his loose monetary policy, was likely to chair the central bank.

Reporting by John Thornhill, Chrystia Freeland and Arkady Ostrovsky in Moscow and Graham Bowley in Frankfurt

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Brazil shares fall as investors seek refuge in dollars

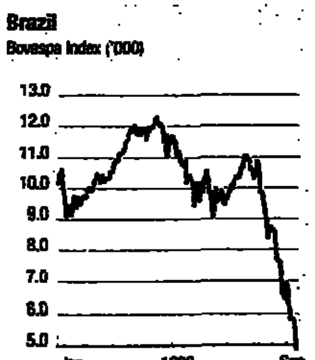
By Jonathan Wheatley in São Paulo and Ken Warn in Buenos Aires

Brazilian stocks suffered heavy losses yesterday on fears that government measures to bolster confidence had failed to stem a flood of dollars from the country.

The sense of alarm on financial markets has risen with indications that Brazilian investors are increasingly selling the Brazilian currency for US dollars.

Circuit-breakers were activated in São Paulo and Rio de Janeiro after stocks fell 10 per cent in little more than an hour's trading. Prices continued to fall after trading resumed and were down 13.9 per cent by mid afternoon with the Bovespa blue-chip index in São Paulo off 790 points at 4,866. Prices of Brazil's foreign debt also fell sharply.

Brazil
Bovespa Index ('000)



Source: Datastream/ICV

Brazilian market weakness dragged other Latin American stock markets sharply lower yesterday. Argentina's Merval leading share index was down almost 7 per cent in early afternoon trading.

"This is panic-selling," said Christopher Ecclestone of brokers Interacciones. "It's a stampede by foreign investors who think Brazil will devalue and Argentina will get sucked in. Many investors aren't really aware of Argentina's strong economic fundamentals at all. They are not differentiating between the two markets."

Mexican stocks fell about 5 per cent early in yesterday's session. The Mexican peso also came under heavy selling pressure, losing about 2 per cent of its value against the dollar.

In Brazil, further concerns were raised by figures showing a deterioration in public accounts during the first half of the year and by signs that the central bank may be preparing for a further rise in interest rates. On Tuesday, the prime lending rate was increased from 19 per cent a year to 29.75 per cent.

"Some money, such as company profits, can leave the country without causing much concern," said an economist at a foreign bank in São Paulo. "But when the outflow becomes capital flight, which we saw last week and this week too, then we have to expect new measures, either higher interest rates or some kind of capital constraints."

The government has ruled out measures such as capital constraints but says it will do whatever necessary to protect the currency.

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WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	7,558.58	(–296.34)
NASDAQ Composite	1,573.49	(–51.06)
Europe and Far East		
CAC40	3,989.35	(–172.78)
DAX	4,747.33	(–293.54)
FTSE 100	5,136.6	(–174.7)
Nikkei	14,686.03	(–89.51)
US Lunchtime RATES		
Federal Funds	5.625%	
3-mth Treas Bills: Yld	4.81%	
Long Bond	104⅞	
Yield	5.22%	
OTHER RATES		
UK: 3-mo Interbank	7⅝%	(7⅞%)
UK: 10 yr Gilt	115.625	(114.406)
France: 10 yr OAT	108.4	(107.44)
Germany: 10 yr Bund	109.06	(108.28)
Japan: 10 yr JGB	114.3	(113.07)
NORTH SEA OIL (Argus)		
Brent Dated	$12.825	(12.495)

GOLD		
New York: Comex		
	$290.7	(284.4)
London:		
	$291.35	(284.95)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.687	
DM	1.68335	
FFr	5.64575	
SFr	1.38285	
Y	133.925	
London:		
£	1.6812	(1.6694)
DM	1.682	(1.7242)
FFr	5.675	(5.7865)
SFr	1.3899	(1.4153)
Y	134.115	(137.085)
Tokyo Close		Y 136.95
Sterling		
DM	2.8445	(2.868)

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EUROPE

Russia delays German debt interest

By Graham Bowley in Frankfurt

Russia has delayed payment of interest on debt to the German government for the first time since its escalating financial crisis erupted.

This raises the risk Moscow could be considering widespread default on its huge foreign sovereign debt repayments.

The delay is believed to be the first by Russia on its sovereign debt interest payments to an official creditor nation since the crisis began.

Hermes, the export credit insurance company which acts as agent for the German government's debt receipts, said only part of a DM800m ($462m) interest payment on rescheduled Soviet debt – so-called Paris Club debt – was received from the Russian government. The payment was due at the end of August.

"They made some interest payment but they did not pay the full volume.

"They have asked Hermes for a delay. We expect the rest to be paid. We do not know when it will be paid," a Hermes spokesman said.

The delay introduces huge uncertainty about the stance towards Russia of the German government, Moscow's biggest ally and single biggest creditor.

Moscow has about $40bn in Paris Club debt, which was rescheduled in 1996. Germany is the biggest official creditor, with about $20bn in debt.

Since the crisis erupted, Bonn has made clear that further government-backed Hermes export credits would be extended to Russia, only if Moscow made good on debt payments.

Moscow had until now assured Bonn it would meet all payment obligations on credits covered by Hermes and guaranteed by the German federal government, as well as debts rescheduled by the Paris Club of official creditors and the London Club of bank creditors.

David Riley, director at Fitch IBCA, the credit rating agency, said: "This shows Russia is in significant distress. This could be the first in a series of defaults".

Russia may have decided to ration its foreign exchange among creditors and that new Russian borrowing would take precedence over Soviet era debt, Mr Riley declared.

The delay is likely to heighten worries about Russia's Soviet era debt to commercial bank creditors – so-called London Club debt. Russia has so far met interest payments on this debt, though none has fallen due since the crisis erupted.

Germany's big commercial banks are among the most exposed to London Club debt. Deutsche Bank has about DM750m in London Club debt and Dresdner about DM700m.

Political foes unite to back nominee

By Arkady Ostrovsky and Chrystia Freeland in Moscow

A calm descended on Russia's fractious political classes yesterday, as habitual enemies joined to welcome the proposal of former spy-chief Yevgeny Primakov as the country's next prime minister.

Gennady Zyuganov, leader of the Communist party which dominates the Duma, the lower house of Russia's parliament, said Mr Primakov would "pass through the Duma at the first try" when it votes on the appointment on Friday.

While the mood was of exhaustion rather than euphoria, deputies across the political spectrum described Mr Primakov, acting foreign minister, as the only man who offered some hope of ending the economic crisis which has paralysed the country in recent weeks.

Vladimir Potanin, head of the powerful Interros industrial group and one of the oligarchs who aggressively supported the previous regime, called Mr Primakov "the best solution".

Even Vyacheslav Kostikov, who was President Boris Yeltsin's press secretary during the early years of the so-called "young reformers", was reconciled. "The political situation in Russia was so desperate that the appointment of Mr Primakov should be seen as a political compromise," he said. "We were too close to the edge, behind which were unrest and dictatorship."

Mr Kostikov added, however, that Mr Yeltsin's decision to abandon his original candidate, Victor Chernomyrdin, in favour of Mr Primakov, rather than risk confrontation with the Duma, was a sign of deep political weakness.

Only the ultra-nationalist Vladimir Zhirinovsky and the communist Viktor Anpilov voiced any dissent. Mr Zhirinovsky called Mr Primakov an American stooge, while Mr Anpilov said that, "with all due respect to Primakov as a diplomat, his appointment shows that Yeltsin is bankrupt.

● Russia yesterday moved swiftly to reassure Germany, its main trading and diplomatic partner in the European Union, that Mr Primakov's nomination meant Moscow would continue its economic reforms and maintain its foreign policy stance. **Peter Norman writes from Bonn.**

Mr Yeltsin told Helmut Kohl, German chancellor, about the latest developments in a telephone call yesterday morning, while Mr Primakov phoned Klaus Kinkel, German foreign minister, with whom he has a close relationship.

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Eastern Europe feels fallout from the crisis

From the biggest to the smallest, businesses have been unable to escape the effects, reports **Stefan Wagstyl**

In the Czech Republic, Ceska Sporitelna, the country's second largest bank, has lost half its stock market value. In Romania, the privatisation of Rom Telecom, the telecoms utility, has been made more difficult. In Poland, tens of thousands of small-time traders, dealing in everything from canned food to televisions, have been left idle.

From the biggest to the smallest, the businesses of eastern Europe have been unable to escape the Russian crisis. Some are exposed through trade with Russia, some because of financial investments there.

Others are suffering through the indirect impact of the crisis on international financial markets. György Suranyi, the Hungarian central bank governor, warned yesterday such effects could be the most serious.

The winds from the east are blowing unevenly, rocking some countries while leaving others relatively unscathed. Ukraine teeters on the edge of following Russia into default on its foreign debt. Poland is pressing ahead with the part-privatisation of TPSA, the telecom company with a $10bn market value.

While international financial markets were booming, differences between countries were blurred as investors became less discriminating. Now, they are painfully clear.

At one extreme are countries which have done the most to restructure their economies since 1989, reduce dependence on Russia and prepare for entry into the EU. They include Poland, Hungary, the Czech Republic and Slovenia.

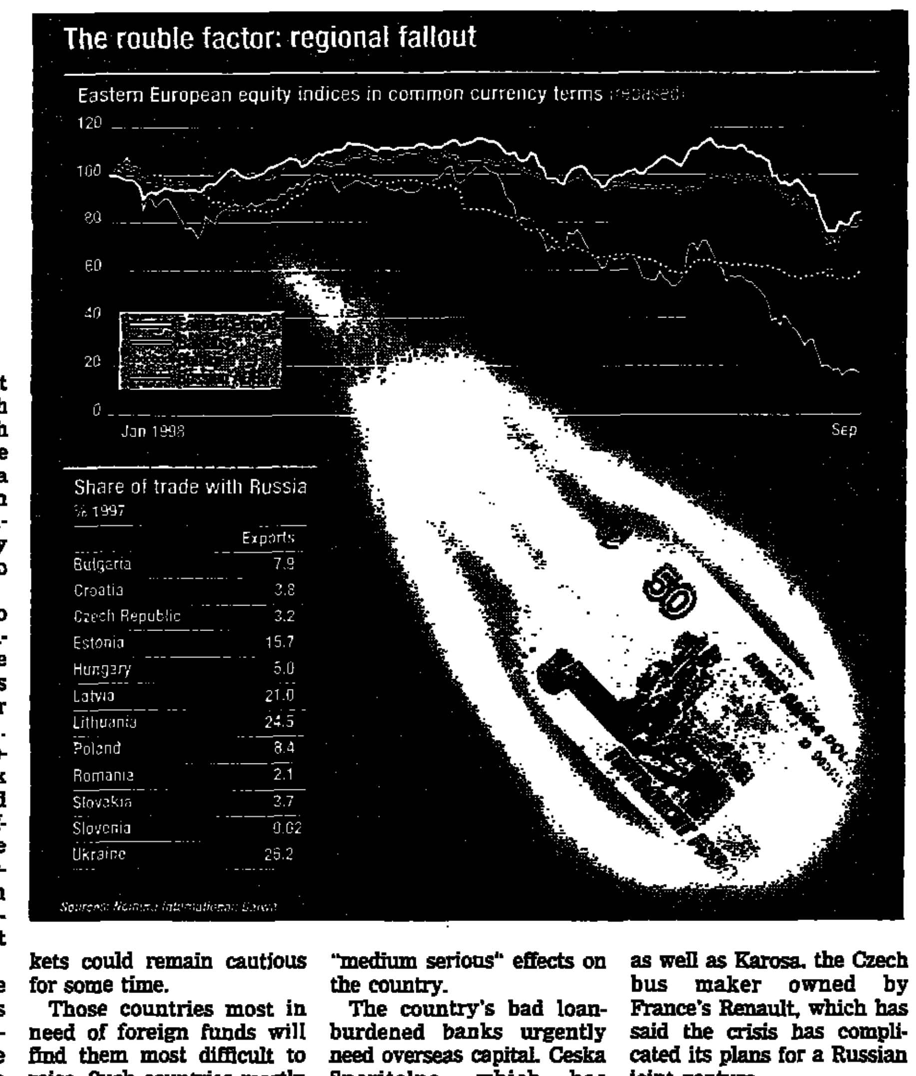
At the other extreme is Ukraine, still in the earliest stage of restructuring, which carries on half its trade with Russia. In between come countries such as Romania which have cut Russian trade but remain economically fragile because they need to borrow overseas to finance budget deficits.

Geographical proximity to Moscow is not overwhelmingly important, as in the case of Estonia, which is weathering the storm better than Latvia and Lithuania. Nicholas Stern, chief economist at the European Bank for Reconstruction and Development, says: "The difference is between those countries which have undergone a successful transition and those which have experienced a botched or hesitant transition".

The gap between these "haves" and "have-nots" is not unbridgeable. EBRD officials say that even Ukraine has the opportunity to improve its economic prospects if it draws the right lessons from the Russian crisis and embarks on market-oriented reforms.

But the international investment enviroment is more hostile than a year ago, due to the turmoil in east Asia as well Russia. Investors have pulled out of strong countries as well as weak, often because stronger economies have more liquid markets, making investments easier to sell.

Equity prices have tumbled, even in the most attractive economies, including Hungary and Poland, where they fell in August by 40 and 30 per cent respectively. Central European markets have this month staged modest recoveries, but investor sentiment towards all emerging markets could remain cautious for some time.



Those countries most in need of foreign funds will find them most difficult to raise. Such countries mostly have large current account or budget deficits and are failing to attract sufficient foreign direct investment. Instead, they rely on banks and portfolio investors.

Top of the list is Ukraine but other countries potentially vulnerable include Romania, Croatia, and Slovakia.

The crisis is likely to cut economic growth next year by 0.5-1 per cent in central Europe, about the same in the Balkans and up to 2 per cent in the Baltic states, according to commercial bank economists.

But the slowdown will matter less in fast growing nations such as Poland and Hungary than in the Czech Republic, which is struggling with stagnation. Milos Zeman, the prime minister, says the crisis could have "medium serious" effects on the country.

The country's bad loan-burdened banks urgently need overseas capital. Ceska Sporitelna, which has delayed a $100m subordinated bond issue, has seen its share price halve over its exposure in Russia and Ukraine.

Almost every country has banks which have lost money in Moscow, mainly through investing in financial paper.

In the Baltics, Standard & Poor's, the US credit rating agency, has warned that Latvia's banks are particularly exposed. Kapital Bank, the ninth largest, has suffered a liquidity crisis.

Among non-financial companies, the biggest victims of the crisis are those reliant on trade with Russia. Among them are Ikarus, the Hungarian bus maker which staked its recovery in the former Soviet Union, and Gedeon Richter, the country's leading drugs company, as well as Karosa, the Czech bus maker owned by France's Renault, which has said the crisis has complicated its plans for a Russian joint venture.

Others hit are the hoteliers of the Czech spa resort of Karlovy Vary, a favourite destination of the Russian newly rich.

Small-scale traders are suffering, too. Operating in the grey economy to avoid the tax man, they are responsible for billions of dollars of trade. But not all of it is lost. After the wild years of the early 1990s, people know how to adapt, even if it means reverting to barter.

But as a fruit trader at Warsaw's main sports stadium, a centre for informal business with the east, says: "The place is coming to a standstill. I'm really worried about the winter".

Additional reporting by Kester Eddy in Budapest, Christopher Bobinski in Warsaw, and Robert Anderson in Prague.

Kiev creditors vote with their feet

By Charles Clover in Kiev

The Ukrainian treasury bill market was at a standstill yesterday, a day after the government offered its creditors a choice: a "voluntary" debt restructuring at below market terms, or a default.

The landing in Ukraine's central bank coffers of the first $256m tranche of a critical International Monetary Fund loan failed to stop buyers fleeing.

In further worrying news the parliament in Kiev rejected President Leonid Kuchma's choice for a new privatisation chief, raising the prospect that a hard-won rapprochement between the centrist government and leftwing deputies over market reforms could be in jeopardy.

The country, which as recently as July looked to have emerged from a months-long financial crisis when it clinched a $2.2bn, three-year IMF loan, has been plunged back into chaos by the collapse of the rouble in neighbouring Russia.

Over the past three weeks, as the rouble has lost two-thirds of its value, the hryvnia has fallen by about 30 per cent – from 2.1 to 3 to the dollar – as wary investors have dumped Ukrainian government bonds and moved their money out of the country.

The central bank has fought to defend the embattled currency, selling hundreds of millions of dollars in reserves over the past month, but the haemorrhaging of hard currency has abated only with the introduction of more extensive currency controls.

Last week the central bank moved its exchange rate corridor for the hryvnia from 1.8-2.25 to 2.5-3.5, and is said to be contemplating more drastic changes in its exchange rate regime.

The future of the hryvnia will depend largely on the success of the treasury bill conversion scheme, as well as on Kiev's continued success in meeting the requirements for the IMF loan.

As long as Ukraine can meet the IMF plan it will be eligible for $900m of World Bank loans this year, according to a World Bank spokesman in Kiev. Added to further IMF tranches, that could help lift the country's currency reserves up from the existing worryingly low level of $800m.

The government's commitment to satisfying the IMF loan conditions could be endangered by the notoriously cantankerous parliament. Only two months ago deputies gave Mr Kuchma carte blanche to cut the federal budget and implement economic reforms by decree, thus satisfying key conditions for the IMF loan.

But on September 2, Yulia Timoschenko, a leftwing deputy and avowed opponent of Mr Kuchma, challenged the constitutionality of the decrees the president issued over summer and promised to start impeachment proceedings against him.

Parliament's rejection yesterday of Oleksander Bondar, Mr Kuchma's candidate for the vacant post of privatisation chief, could signal the end of the thaw in relations between the executive and the legislature.

But the moves by the parliamentary opposition have been criticised in the local press, usually sympathetic to parliament, signalling to some observers that the consensus in Ukraine has swung decisively in favour of the IMF-backed reforms.

Hopes to rebuild Bosnia face test

By Guy Dinmore in Banja Luka, Bosnia

International hopes to rebuild Bosnia face a crucial test in elections this weekend, with attention focused on efforts to defeat the nationalists in the Serb-controlled entity who launched the 1992-95 civil war.

If, as expected, the moderate three-party Serb coalition led by President Biljana Plavsic, Prime Minister Milorad Dodik and the Socialists consolidates its position, then their western supporters will demand that promises are kept on refugee returns and rapid privatisation. In return, they have been promised large-scale aid.

With elections out of the way, Carlos Westendorp, the international community's High Representative and effective viceroy in Bosnia, is also expected to press Nato commanders to arrest Radovan Karadzic, the former leader of the Serb Democratic Party (SDS) indicted for war crimes.

Nato also hopes that a weakening of the nationalists will allow a gradual reduction of its 32,000 troops in Bosnia.

The key battle in the Serb half of Bosnia is for the position of president on the country's three-man presidency. Momcilo Krajisnik, the last SDS official to hold high office, is likely to be ousted by the Socialists' Zivko Radisic with the backing of absentee and Moslem and Croat voters.

More than political power is at stake. Mr Dodik accuses Mr Krajisnik of being behind the murder of a senior police chief last month and is waiting for his arch-rival to lose his political immunity from prosecution.

The police chief was killed outside his home by a masked gunman just days after a business associate of Mr Krajisnik and Mr Karadzic was arrested.

"Krajisnik said he would be killed as a dog," Mr Dodik claimed yesterday. Mr Krajisnik denies any involvement.

The SDS lost its grip on the Serb assembly in elections last November and is expected to take a further hammering this weekend, though some supporters may switch to the opposition ultra-national Radical Party.

The election of Mr Dodik, a pragmatic businessman who claims he is committed to a multi-ethnic Bosnia, was seen by the West as a breakthrough

Since then, Bosnia has acquired a common currency, flag and passport, and car licence plates that do not identify the driver's ethnicity. The opening of rail links between Bosnia's Moslem Croat Federation and the Serb entity will allow Volkswagen to rebuild its war-destroyed car plant in Sarajevo.

Bosnians now travel relatively freely. Scores of trucks backed up on the border with Croatia testify to a surge in trade. But, western officials say, the key barometer of whether Bosnia can stand alone and unite or will remain an ethnically divided state dependent on aid is the issue of refugee returns.

In the Moslem-Croat Federation, western backed moderates may make only limited headway against the hardline Croat party loyal to Croatian president Franjo Tudjman which opposed the Moslem nationalists of President Alija Izetbegovic.

Results from the two days of closely monitored elections costing $30m may not be known for several days.

NEWS DIGEST

PENSION FUND INVESTMENT

Fund managers call for relaxation of restrictions

Fund management associations from six European countries have united to back the relaxation of pension fund investment restrictions. In a joint letter to Mario Monti, the single market commissioner, trade associations from the UK, France, Italy, Ireland, Germany and Spain have opposed curbs on the types of assets pension funds can invest in.

They believe that restrictions on the amount which can be invested in equities, in particular, "have a significant detrimental effect on the development of European-funded pensions, on the European economy and on the growth of the European investment management industry". The associations support Mr Monti's call for the introduction of the "prudent man principle" which leaves asset allocation decisions up to fund managers.

This proposal, set to be confirmed in a preliminary draft of a pension fund directive later this year, is expected to find less favour with national governments such as Germany and France, which impose legal investment restrictions.

France's Association Française de la Gestion and Germany's Bundesverband Deutsche Banken indicated in the letter their support for a more relaxed regime. The UK's Institutional Fund Managers' Association (IFMA), Italy's Assogestioni, Ireland's Association of Investment Managers and Spain's Inverco are the other supporters.

Stephen Tanner, director-general of IFMA, said the move was the "first tangible evidence" of a new mood of co-operation between pan-European fund managers. **Jane Martinson, Investment Correspondent**

GERMAN EXPORTS

Asian crisis hits deliveries

Germany's exports to south-east Asia fell 19.7 per cent in the first half of 1998 compared with the same period last year, reflecting the Asian crisis. However, the fall was offset by strong growth in Germany's exports to European Union and North American Free Trade Agreement countries. Overall exports in the first six months this year grew 12.8 per cent.

German exports to the whole of Asia fell 8 per cent, with a particularly dramatic drop in deliveries to South Korea, which fell by 44.7 per cent in the six months compared with the same period last year.

Imports from south-east Asia to Germany in the first half rose by 10.5 per cent compared with 1997. The figure was in line with Germany's overall import growth of 11.8 per cent, despite earlier expectations that the region's massive currency depreciation would boost its share of sales to Germany. **Tobias Buck, Bonn**

FORCED LABOUR

Daimler-Benz seeks settlement

Daimler-Benz, Germany's largest industrial group, has told the film director Steven Spielberg that it will try to reach a settlement with Jewish groups over the issue of forced labour deployed in factories during the Nazi period.

Klaus Mangold, Daimler board member, told Mr Spielberg and representatives from German, British and US Jewish groups that the company was committed to discussing the issue with the Jewish community. "We are looking for a solution," he said.

Mr Spielberg was in Berlin to receive Germany's highest medal of honour for his work in setting up the Shoah Foundation, a multimedia archive devoted to the Holocaust, which he established in 1994 with the proceeds from his film *Schindler's List*.

Daimler is one of several German companies accused in a US class action lawsuit of profiting from forced labour during the second world war. Volkswagen's supervisory board is to decide today details of a fund to compensate former labourers. **Frederick Stüdemann, Berlin**

FINANCIAL CRISES

Euro 'provided buttress'

Italy, Spain and Portugal might have had "massive" currency devaluations following the Asian and Russian financial crises if they had not been preparing to adopt the euro, according to a leading German industrialist. Hans-Olaf Henkel, head of the BDI, Germany's leading industry association, said the fixing of exchange rates since May had buttressed European economies against the damaging effects of the crises.

Mr Henkel said a sharp appreciation of the D-Mark – and of the euro when it was adopted – triggered by economic slowdown elsewhere in the world was a threat to the European economy.

He added that west German businesses should follow the lead set by companies in the east of the country by breaking away from the straitjacket of industry-wide pay deals. Companies are bound by law to abide by the industry-wide deals, but Mr Henkel said east German groups had exploited low union influence to strike more flexible localised agreements. **Graham Bowley, Frankfurt**

FRENCH INTERIOR MINISTER

Chevènement out of coma

Jean-Pierre Chevènement, French interior minister, yesterday came out of the 10-day coma into which he had sunk after an allergic reaction to an pre-operation anaesthetic he received on September 1, the Paris military hospital treating him announced.

The statement left unclear when or whether Mr Chevènement would make a full recovery. Although he leads the smallest political formation, the Citizens' Movement, in the four-party Jospin government coalition, he has played a key role.

Since he became interior minister in June 1997, he has had to deal with immigration policy, the immediate aftermath of Princess Diana's death, violence in Corsica, Islamic terrorists' threats and security during the World Cup. In doing so, he has gained gratitude from governments such as Britain's and a certain private admiration from the domestic rightwing opposition, while providing prime minister Lionel Jospin cover from attacks from the left. **David Buchan, Paris**

TURKISH ELECTIONS

Yilmaz would not delay poll

Mesut Yilmaz, Turkey's prime minister, said yesterday he would do nothing to delay a general election, which parliament has set for April 18. "I speak for my party. No proposal of that nature will come from us," he said.

The prime minister suggested last week that the international financial crisis in emerging markets justified reviewing a parliament-approved plan to hold polls 20 months before they are due. **Reuters, Ankara**

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BANCO AMBROSIANO GOVERNMENT RELIEVED BY GELLI RECAPTURE

Joint operation nets Italian fugitive

By James Blitz in Rome

Licio Gelli, one of Italy's most wanted fugitives, was yesterday recaptured in Cannes by French and Italian police after an escape that had seriously damaged the morale of Romano Prodi's government.

In a year which has seen a string of spectacular failures by Italian police and justice officials, government ministers congratulated the French and Italian police for apprehending Gelli, one of the central figures in the 1982 collapse of Banco Ambrosiano, once the largest privately owned Italian banking group.

In April Italy's supreme court confirmed that the 79-year-old Gelli, the former grandmaster of the P2 masonic lodge, should be sentenced to 12 years' imprisonment for fraud connected to the collapse of the bank. The next month authorities admitted they had lost track of the criminal after he failed to turn up at a police station in his home town of Arezzo.

After the recapture, Mr Prodi, prime minister, was quick to express "relief and satisfaction for an operation that has closed a serious wound in the authority and credibility of the state".

Gelli has long been deemed one of Italy's most notorious post-war criminals. The P2 lodge of which he was "venerable master" was, until its discovery in 1981, one of the most powerful secret organisations within the Italian state, uniting scores of figures in government and the military in anti-communist activity.

Gelli also exercised considerable influence over Roberto Calvi, the chairman of Banco Ambrosiano, who hanged himself in 1982 at the time of the collapse of the bank with debts of about $1,300m.

His escape was a huge blow to the interior ministry and triggered calls for the resignation of Mr Giorgio Napolitano, interior minister, and Giovanni Maria Flick, justice minister.

It came shortly before the disappearance of Pasquale Cuntrera, a leading mafia boss, and the theft of three famous paintings from a museum in Rome.

The Italian government will be quick to point out that the two criminals have now been recaptured and the three paintings recovered.

Problems with the Italian justice system that allowed Gelli to go on the run have not been completely resolved, however. Criminal trials in Italy can still take many years because defendants are allowed two appeals after an initial conviction.

During those appeals the presumption is that the defendant is innocent, making it difficult for courts to keep criminals in preventive custody until the supreme court has delivered a final verdict.

A package of reforms to streamline the justice system has been drawn up by Mr Flick.

But they have had difficulty making progress through parliament because of a lack of consensus within Mr Prodi's ruling coalition.

For the first time, Greens treated as serious contenders

An electoral system that favours coalition government puts the environmentalists in an enviable position, writes **Tobias Buck**

German elections

Veterans of Germany's Green party recall nostalgically the day when a young parliamentarian called Joschka Fischer strolled into the Bundestag, the lower house of Germany's federal parliament, dragging a pine tree ravaged by pollution. Conservatives remember, less fondly, the day three years later when, as state environment minister in Hesse, Mr Fischer wore jeans and sneakers to his swearing-in ceremony.

Today, those sneakers are in a museum. Provided opinion polls are confirmed by Germany's September 27 general elections, Mr Fischer, now leader of the Greens in the Bundestag, could well become vice-chancellor and foreign minister in a coalition government of Greens and Social Democrats.

As foreign minister, the former taxi-driver and student protester would take over the rotating presidency of the European Union in January. He would be entrusted with the task of brokering historic decisions such as EU enlargement and reform of the Common Agricultural Policy. Who knows, he might even wear a tie.

Before then, however, the Greens must struggle to secure the 5 per cent share of the vote needed to enter parliament. And they will have to crack down on infighting within the party.

Ever since a party congress in March proposed tripling the price of petrol to DM5 ($2.70) per litre, the Greens' election campaign has produced one blunder after another.

A party that takes pride in its individualism, the Greens have always suffered from loose cannons firing from the back benches. But even by their standards, the series of gaffes shortly before a general election has been staggering.

A Green MP from Bavaria shocked a travel-hungry nation by suggesting Germans should fly to Majorca only once every five years. Motorists were put off by proposals to ban Formula One racing and introduce speed limits on autobahns. Comments by Jürgen Trittin, the party's joint national leader, comparing Germany's conscript army with Hitler's Wehrmacht provoked outrage across the political spectrum.

As a result, the Greens have seen their poll ratings halve from 12 per cent in January to 6 per cent this week.

Holger Börner, former prime minister of the state of Hesse, swearing in Joschka Fischer of the Greens as environment minister during a session of the parliament in Wiesbaden in 1985 EPA/DPA

Mr Fischer and his pragmatic allies – "Realos" in the party slang – were furious. So were many Social Democrats, fearing the Greens could prove the Achilles heel in their campaign for a red-green coalition under Gerhard Schröder, the SPD's chancellor candidate.

Because Germany's electoral system rarely allows one party to rule alone, voters think carefully about potential coalitions. According to one survey, two-thirds of Germans regard the Greens as "unfit to govern" – a judgment exploited by Chancellor Helmut Kohl with his warning that a red-green government would lead to a "left republic".

This is the first time in their brief and turbulent history that Germany's Greens have been treated as serious contenders for power in Bonn. Statements that a few years ago would barely have raised an eyebrow are now scrutinised closely, because they could become government policy after September 27.

A lack of professionalism is the Greens' second handicap. "We need spin-doctors able to think strategically and we need an adequate organisational structure," one official complains. The rule forbidding Green MPs to hold office in the party organisation is a case in point. Intended to prevent the rise of Green "superstars", it forces Mr Fischer and other popular MPs into a secondary role in presenting policies to the public.

A third problem is a record of squabbling in red-green coalitions at state level, which leads many voters to doubt whether red and green could agree to govern.

However, there are only two contentious political initiatives that the Greens say they will not abandon. They insist that nuclear power stations must be closed within about five years. They also want an "ecological tax reform" that would raise fuel and energy taxes, and so permit them to lower taxes on labour. Neither issue is likely to provide a big obstacle to a such a coalition.

Difficulties could arise, however, over the party's demand for one "heavyweight" ministerial post. With Mr Schröder insisting that the SPD must have the interior, finance and defence portfolios, this points to the foreign ministry for Mr Fischer..

The biggest uncertainty looms beyond coalition talks. Voters worry whether the "Realos" could enforce discipline on radical leftwingers after a government is formed. "At the moment, it is only the prospect of success that keeps them quiet," one Green official has observed.

Whatever happens, the election will be a historic turning point for the Greens. Winning power could spur plans to bring the party's structure up to date, perhaps side-lining radicals. A failure to get into parliament or government by contrast, could spell fresh turmoil for a party on which, briefly, was tantalisingly on the cusp of coming of age.

German, Irish inflation diverges

By John Murray Brown in Dublin and Tobias Buck in Bonn

The economic divergencies between the countries which will adopt the European single currency were highlighted yesterday, when Ireland reported its highest rate of inflation in six years and Germany its lowest rate since unification.

Ireland's annual inflation rose to 3.2 per cent in the 12 months to August. Inflation in the year to July had been 2.7 per cent.

Germany's annual inflation rate dropped to 0.8 per cent in the 12 months to August, from 0.9 per cent for the year to July, the federal statistics office in Wiesbaden said.

The rise in Irish inflation is likely to put further strain on the country's national wage agreement, which envisaged pay rises of about 2 per cent. The wage agreement, a cornerstone of the government's macro-economic policy, trades off moderate wage increases and tax cuts.

The rise was largely expected as a result of a poor harvest and the knock-on effect of the weakness of the Irish pound earlier in the year.

Dermot O'Brien, economist with NCB stockbrokers, an Ulster Bank subsidiary, predicted inflation would peak in the next couple of months. However, the rise comes at a time when interest rates are set to fall as Ireland prepares for the European single currency in January.

EBS, one of the main building societies, dropped its mortgage rate on Wednesday, raising speculation the Central Bank may use Monday's weekly repurchasing operation to start the final stage of interest rate convergence.

Irish interbank rates, currently around 6 per cent, will need to converge with the equivalent rates in the rest of the euro zone by next year, when the euro is introduced. Benchmark interest rates, currently 3.3 per cent in France and Germany, are expected to be set at about 4 per cent at the beginning of 1999.

Ireland's Central Bank had been maintaining relatively high rates in a bid to restrain inflation and in the hope German rates would be raised by more than the current market consensus.

However, concerns about a possible global recession have increased the possibility that German rates will not rise by as much as expected, increasing the adjustment the Irish would have to make. With credit growing at close to 20 per cent, and annual house prices in Dublin soaring by 40 per cent to July, some economists are worried the drop in interest rates could further prime the boom.

This could result in higher inflation, at a time when Ireland may be giving up the policy instrument to deal with price pressures by joining the single currency.

Greek bonds aim to boost privatisations

By Kerin Hope in Athens

Greece's finance ministry yesterday announced the launch of privatisation bonds, which will be convertible into shares in state-owned companies to be floated on the Athens stock exchange next year.

The issue, due later this month, will be split into a three-year certificate denominated in drachmas for domestic investors and a five-year certificate denominated in euros, intended to attract international institutions.

The size of the bond issue is expected to exceed $150m.

Ministry officials said the timing of the issue reflected the government's commitment to its fast-track privatisation programme, despite turmoil on international financial markets. Next year's disposals are part of a structural reform package aimed at ensuring Greece qualifies to join the euro on January 1, 2001.

"We believe the crisis on international markets has started to subside, so the timetable for flotations won't have to be delayed," an official said. "Moreover, Greece can be seen as a safe haven compared with other emerging markets."

Two local banks, National Bank of Greece and EFG Eurobank, will arrange the domestic tranche, while Paribas will handle the euro-denominated tranche.

The socialist government is trying to promote share ownership in public sector companies by small investors as a means of overcoming lingering political opposition to privatisation. The drachma certificates will have a face value of Dr100,000 ($335) each and interest earnings will be tax-free.

Buyers will be able to convert them into shares on preferential terms as the companies come to market from January.

Analysts said the issue of privatisation certificates would help the finance ministry achieve revenue targets in sales of smaller utilities and transport companies which might struggle to attract investors.

The seven companies due to be floated include the Athens water utilities, the ports of Piraeus and Thessaloniki, and the catering subsidiary of Olympic Airways.

Although nominally profitable, most companies on the list will have to be restructured before they can be offered for sale.

Threat looms of smartcard standards war

By James Mackintosh in Cannes

Europay International, the European credit and debit card consortium, yesterday raised the threat of a standards war with Visa by adopting competing technology standards on smartcards.

Smartcards, which are being tested in the US and Europe, allow multiple uses of a single card, including credit cards, airline ticketing and supermarket loyalty schemes.

Europay's adoption of smartcard technology from Maosco, a not-for-profit consortium, also dealt a blow to the Java software standard, licensed by Sun Microsystems of the US. Visa has adopted Java. The other two large card brands, Mastercard and American Express, have both adopted Maosco, although neither has big smart card operations in Europe. Maosco is supported by Hitachi, Siemens and Motorola.

Europay also linked up yesterday with Geld Karte, a German "electronic purse" scheme already linked with Visa. Hans van der Velde, president of Visa EU, welcomed the move, saying it would assist efforts to create a common electronic purse standard for Europe. Electronic purses allow storage of cash in electronic form on a card, which may then be used to make small payments. Geld Karte has 45m cards on issue.

These smartcard decisions put Europay and its US partner, Mastercard, into competition with Visa over technology standards after several years of co-operation, which led to agreements such as the internet security standard SETS.

But Europay said it would work with Visa to try to unify electronic purse standards in Europe, despite having competing products.

Marc Dutrieux, head of smartcard development at Europay, said: "We think it is foolish to compete on technology." But he said he was confident that Maosco's MultOS system was technically superior, and he expected most banks that issue both Europay and Visa cards to choose just one smartcard technology platform and rewrite the other brand's software for that platform.

Europay's choice of MultOS promises to reduce the number of cards European consumers have to carry in their wallets by allowing one card to do many things.

AFGHANISTAN 80,000 TROOPS MASSED AS TENSION RISES OVER DISCOVERY OF DIPLOMATS' BODIES

Iran starts military manoeuvres on Afghan border

By Mark Huband in Cairo

Up to 80,000 Iranian troops were yesterday preparing for military manoeuvres along Iran's border with Afghanistan amid renewed tension following the discovery of the bodies of nine Iranian diplomats killed last month by Taliban forces.

"The order for the manoeuvres has been issued. The forces, which have already taken positions in the area since one month ago, will carry out the manoeuvres at the decided time." Ali Shahbazi, commander-in-chief of the army, was yesterday quoted as saying by Iranian state television.

Taliban officials said yesterday the bodies had been found near the northern Afghan town of Mazar-i-Sharif. Iran says 11 of its diplomats and an Iranian journalist disappeared when Taliban forces seized the town on August 8. The whereabouts of the two remaining Iranians is uncertain.

A Taliban spokesman yesterday acknowledged that Taliban fighters were responsible for the deaths but insisted they had done so on their own initiative. The Taliban is prepared to hand the bodies over to the Iranian government, and has said it will find the killers and punish them.

A force of 70,000 troops was sent to Iran's north-eastern border with Afghanistan for three days of military manoeuvres last week. A government statement issued before the discovery of the bodies said several extra divisions were being sent, increasing the force to around 80,000.

"Commandos, special forces, armoured artillery, and mechanised units backed by the air force and the army's air corps will take part in the war games." Major General Shahbazi said.

The announcement came two days after Ayatollah Ali Khamenei, Iran's supreme leader, and overall commander-in-chief of the armed forces, said Iran was not planning a military confrontation with the Taliban.

The official Iran News Agency (Irna) quoted Gen Shahbazi yesterday as saying that Iran had detected "unusual" troop movements on the Afghan side of the border. "The Islamic Republic of Iran army, on orders from the commander-in-chief of the armed forces, will carry out its duties in defending the territorial integrity of the country and in guaranteeing national security regardless of big powers' threats," Irna quoted him as saying.

The Taliban, which has in the past received military advice from Pakistan, accuses Iran of backing the opposition military alliance which was forced out of its stronghold of *Mazar-i-Sharif* last month. Iran denies the charge. It blamed Pakistan, which was the first country to recognise the Taliban government when it seized the Afghan capital Kabul in 1996, for the delays in establishing the whereabouts of the dead diplomats.

Pakistan said yesterday it had "been in intensive contact with both Iran and Afghanistan in order to persuade the two brotherly countries to exercise restraint and resolve their differences through negotiations".

Along with a possible Taliban troop build-up along Afghanistan's border with Iran, Taliban fighters are closing in on the main Shia stronghold of Bamyan province. Afghanistan's Shia Moslem minority have strong ties with predominantly Shia Iran.

Afghanistan's two Shia political factions, the Hezb-i-Wahdat and the Harakat-ul-Islami, are both now effectively encircled by Taliban forces.

The Sunni Moslem Taliban have been accused of targeting Shia Moslems during their four-year military advance through Afghanistan. Taliban forces entered Bamyan province last week and have the airport of Bamyan town in range of their heavy artillery, a Taliban official said yesterday.

The responsibility to protect Afghanistan's Shias is likely to influence public opinion in Iran, which is strongly divided over what action should be taken to oppose the Taliban. Iran is also home to 1m Afghan refugees, and the Iranian government is determined to avoid the unrest among its Afghan population, which may be caused by action against Afghanistan.

Warning by UN to Angola foes

By Laura Silber at the United Nations in New York

Kofi Annan, United Nations secretary-general, yesterday warned that UN observers could withdraw from Angola by February unless the government and Unita rebels agreed to end their fighting and implement the peace accord reached in 1994.

In a report to the Security Council, Mr Annan proposed that it review by November the situation in Angola and the continued presence of the 1,156-strong UN mission.

"If at the time of the November review, it appears there has been no substantial progress towards full compliance by the parties with their respective obligations...the reduction of the force would be accelerated with a view to closing it down by early February 1999," said the report.

Mr Annan, however, left the door open for progress. In the event of a step forward, the UN would maintain and perhaps bolster the force, comprised of 661 troops, 403 police and 92 military observers.

Both sides "seem to be preparing themselves for a confrontation," Mr Annan said, urging the government to establish an effective and secure environment in which Unita would have no reason to fear the consequences of its transformation into a genuine political party.

The Council last night was considering Mr Annan's report. Diplomats yesterday said they believed the UN was unlikely to pull out completely despite the deteriorating situation.

The Lusaka Protocol, mediated by the UN in 1994, ended 19 years of conflict but Unita has refused to implement the agreement fully.

Last week the government said it would sever all contact with Jonas Savimbi, Unita leader.

South Africa's 'affirmative action' law meets some negative responses

Victor Mallet reports on controversial legislation designed to unravel the legacy of apartheid which has dismayed employers

The rightwing Freedom Front calls it "abhorrent" and says it is a licence to discriminate against white males; liberals condemn it for "re-racialising" South Africa four years after the end of apartheid; most employers hate it, although they are afraid to say so in public; but many black professionals say it is a long overdue measure to right the wrongs of the past.

South Africa's Employment Equity Bill, an ambitious piece of "affirmative action" legislation, is about to become law. Parliament in Cape Town completed its scrutiny of the bill this week, and all that remains is for President Nelson Mandela to sign it.

No law has aroused such controversy in South Africa since the end of white minority rule, when the African National Congress came to power in the country's first all-race election in 1994.

That is partly because its effects will be so far-reaching. The legislation is designed not merely to protect racial minorities from discrimination in the workplace, as in the US or the UK. Its aims are closer to those of Malaysia, which implemented laws to favour the majority Malays over the richer but less numerous ethnic Chinese: the ANC's purpose is nothing less than a complete change in the balance of power in offices and factories to benefit the black majority after centuries of white domination.

The ANC's purpose is nothing less than a complete change in the balance of power in offices and factories to benefit the black majority after centuries of white domination

The law will require companies with more than 50 employees, or with turnover above specified limits, to ensure that previously disadvantaged groups – including blacks, women and the disabled – are adequately represented throughout the workforce on the basis of the "demographic profile" of the relevant region and the country as a whole.

"In general, they must thus aim at a workforce which is 75 per cent black at all levels, as well as 52 per cent female and some 5 per cent disabled," concluded an assessment of the bill by the South African Institute of Race Relations.

Employers will have to draw up an employment equity plan and file regular progress reports to the Labour Department. Those who fail to comply will be denied government contracts and can be fined up to R900,000 ($145,000) for each contravention. One of the few concessions to employers is the recognition that the size of the "pool of suitably qualified people" must be taken into account.

Business organisations, which are largely white as a result of the country's apartheid legacy, say they accept the need for some form of affirmative action, but they are alarmed by some of the bill's provisions and by the fact that it does not envisage a finite period after which affirmative action will no longer be needed.

In particular, they dislike being obliged to set "numerical goals" for different categories of employees, something they view as a thinly disguised quota system. They believe the bill gives very wide discretionary powers to the labour minister. They criticise its attempt to reduce wage differentials for different types of work. And they say the clause putting the onus of proof on employers – who must prove they are not discriminating whenever they are accused of doing so – will prompt a torrent of spurious complaints.

Nelson Mandela: To sign far-reaching legislation

Employers say this and other "first world" labour laws are inappropriate for a developing economy, will discourage job creation and do nothing to reduce South Africa's 30 per cent unemployment rate. Above all, the low quality of education for black South Africans under apartheid means there are simply not enough skilled black employees to go round. Poaching and "tokenism" are already rife.

"In 1996, fewer than 1,000 or 0.2 per cent of the 438,000 black matriculants achieved the maths and science results required for entry into engineering," the employers' group Business South Africa says. "It is impossible for companies in the mining and engineering sectors to meet the requirements that might be imposed on them by the bill."

Liberals have an additional complaint about the legislation: it harks back to the apartheid era by requiring companies to classify their workers by race. Tony Leon, leader of the opposition Democratic Party, calls it "social engineering gone mad" and says the law may even be unconstitutional because of its references to racial groups.

Black opinion, however, is mostly in favour of the new law. Tshenolo Motlhala, creative director of a small black-owned advertising agency called MDS-DD&M, says bitterly that legislation is essential because most white employers are still reluctant to move of their own accord. "It's the only way to go," he says. "The attitude is the problem, which means it's necessary to have laws."

ANC leaders insist that the use of racial classification is the only way to analyse employment practices and thereby reverse the discrimination of the past. Surveys show that more than 90 per cent of senior managers in South Africa are still white. As the ANC's Godfrey Oliphant said in parliament recently: "The shop-floor is black and the boardrooms are white. That this the reality of South Africa."

Shepherd Mdladlana, labour minister, said this week that those who opposed the bill wanted to entrench the privileges granted under the old regime and to "condemn blacks, women and the disabled to the margins of society".

For the government, the aim is not to punish employers, but to transform South African businesses still rooted in the age of apartheid. Whether the law will achieve that – without miring businesses in bureaucracy and racial politics, increasing unemployment and forcing white graduates to emigrate in search of jobs – is likely to be debated for years to come.

WORLD TRADE

Skoda in talks over $450m engine plant

By Robert Anderson in Prague

Skoda Auto, the Czech carmaker 70 per cent owned by Volkswagen, plans to build a $450m engine plant if it wins the right incentive package from the Czech government.

The project would be one of the biggest recent foreign investments in the country and would represent a massive increase in Skoda's spending plans. Volkswagen, the German carmaker, invested DM2.1bn ($1.2bn) in the company between its privatisation in 1991 and the end of last year. It had planned a further DM2.4bn injection by the end of 2002.

Because of the size of the investment and the fact that the plant – at Skoda's main factory at Mlada Boleslav, north of Prague – would produce up to 500,000 one litre and 1.4 litre engines a year, not only for Skoda but for the whole VW group, the Czech company is believed to be competing for the cash with other VW operations, particularly in Spain and Poland.

Miroslav Gregr, the new industry minister, has backed Skoda but the final decision will depend on discussions with the Ministry of Finance. A spokesman for the industry ministry said yesterday: "A concrete proposal should be offered to the company at the end of September."

VW had planned to build a modern engine plant with Skoda when it took the company over, but the scheme was cancelled in 1993 when the parent company decided to go for a leaner operation with less fixed costs after its experience with Seat in Spain.

Until now the existing Skoda plant has built engines for the smaller Felicia model but only undertaken final assembly for the Octavia mid-range saloon.

The engine plant would complement the rapid expansion in car production at Skoda, the Czech Republic's biggest company. It produced 357,405 cars last year and had planned 410,000 vehicles this year, rising to 500,000 by the turn of the century. However, a spokesman admitted yesterday that the company might need to revise these plans because of the 15 per cent fall in domestic sales in the first half caused by the economic slowdown.

The project is important for the Czechs, who have fallen behind their neighbours in attracting foreign investment, partly because they offer more generous incentives. In the first half of this year the Czech Republic received $589m in foreign direct investment, less than half that received by Hungary and a tenth by Poland.

A new scheme of incentives was announced in May, though it has been criticised for falling short of those offered by neighbouring countries. Mr Gregr wants to revise the package by lowering the minimum $25m investment required and offering special incentives for spending of more than $150m. Two companies – AEG of Germany and Hayes Wheels of the US – have so far received the new incentives.

DVD Video comes thundering back from disaster

It promises a lucrative source of sales, but faces a new threat, **Alice Rawsthorn** reports

As product launches go, the early days of DVD-Video, the compact disc version of the video cassette, were little short of disastrous.

Being billed as the "hottest new thing" did not help, but DVD's development was also marred by a row over hardware technology, and a battle with the Hollywood studios over their terms for releasing films on the discs.

When DVD players were introduced to Japan in 1996 and the US in 1997, sales were well below expectations. Yet sales have risen sharply in both countries this year, and are running ahead of target in Europe, where DVD was launched this year. Despite its inauspicious start, DVD now seems poised to become a popular, and profitable, product.

"We're very, very pleased with its progress," says Warren Lieberfarb, president of Warner Home Video, part of Time Warner, the US entertainment group. "Over 1m DVD players have been sold in the US in its first 18 months, against 90,000 video recorders and 275,000 CD players in their first two years. That means DVD has outsold the VCR 10-1, and the CD by 4 to 1."

If the market continues to develop at its present pace, DVD will provide a sorely-needed fillip for the world's consumer electronics makers, after a difficult time when their established products, notably VCRs and audio-CD players, have hit maturity.

It also promises to create a lucrative source of software sales for Hollywood studios and other film producers, now facing a squeeze on video revenue. They hope consumers will buy DVD versions of favourite films on video-cassette, just as they replaced old vinyl albums with compact disc.

But past efforts to launch entertainment software products, notably laser disc for film and digital compact cassette (DCC) for music, have proved consumers will not accept a new format, unless convinced it offers a big improvement over its predecessor at a reasonable price, and that plenty of software will be available.

A scene from LA Confidential, the best selling film on DVD Video

Both the hardware and software sectors were determined not to repeat their past mistakes with DVD. They always believed in its merits as a product.

Even when the rows over technology were at their fiercest, both industries were emphatic that its audio-visual quality, combined with multiple language soundtracks, director's commentaries and added scenes dropped for the initial cinema release, made DVD superior to video-cassettes.

Electronics makers tried to make the launch prices of players as low as possible, in the hope of moving swiftly to volume production.

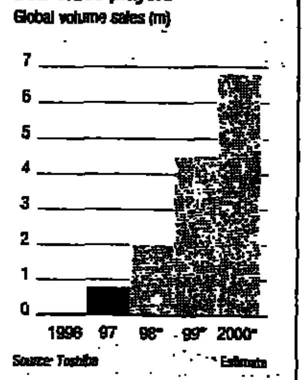
"Everyone recognised the importance of competitive pricing," says Frank Bauli, head of DVD-Video for Philips, the Dutch electronics group. "Players went on sale in the US from $500, and are now selling for $350-$400. And they'll soon ease again."

Hollywood adopted a similar approach to software prices. When video came out in the early 1980s, it cost $24 to make each cassette – because the raw materials were expensive, and dedicated production plants had to be built – which meant they would have retailed at $60, too high a price for consumer acceptance.

Instead, the studios sold their expensive cassettes to rental outlets and the more profitable video retail market only developed when cassettes were produced at high enough volume for prices to fall.

But DVD benefits from far lower production costs, because the raw materials are cheaper and the discs are made at existing audio-CD plants.

The first DVD software retailed in the US at $20, and prices have since fallen to about $15. Some Hollywood studios were initially wary of releasing software on DVD. But all of them are now committed to it, except for DreamWorks and its co-founder and Oscar-winning director, Steven Spielberg.



Buoyed by DVD's popularity in the US and Japan, and its strong start in Europe, the hardware and software sectors are investing heavily in promotion this autumn.

They are stepping up supplies to Europe, and broadening distribution in the US, where mass merchants, such as Walmart and K-Mart, are starting to stock it, as well as electronics specialists.

Matsushita, Japan's largest electronics group, now expects DVD to be installed in 10 per cent of US and Japanese homes within four years. Yet despite its promising progress, DVD still faces what could be its biggest obstacle: competition from video-on-demand when digital television comes on stream.

"Digital television will definitely be a threat, and that's why we've got to move quickly," says Gildas Pelliet, head of DVD-Video for Sony Europe. "We've got two years at the most to make DVD go mainstream. Otherwise it'll be too late."

NEWS DIGEST

EU-VIETNAM TRADE

Agreement on textiles and clothing is ratified

The European Union and Vietnam yesterday ratified an agreement liberalising bilateral trade in textiles and clothing during 1998-2000. The agreement removes EU quotas on 22 categories of textiles and clothing from Vietnam and replaces a 1993 textile and clothing trade agreement. It also increases by nearly a third the size of remaining EU quotas on imports of 29 other categories of textiles and clothes. It also reduces Vietnamese duties on imports of EU textiles and clothes. The reductions amount to 2 per cent in 1998-99 and to between 3-5 per cent in 2000-2001. The value of EU imports of textiles and clothes from Vietnam was about Ecu500m ($545m) in 1997. The EU exported textiles and clothes to Vietnam worth about Ecu50m in 1997. **International Staff.**

INVESTMENT IN CHINA

Israelis to build potash plant

Dead Sea Works (DSW), Israel's potash company, yesterday approved plans to build a $486m joint venture potash plant with the Chinese government, a move which will break China's dependence on imports.

The Chinese government, along with the state-owned Migda Corporation, will hold a 67 per cent stake and DSW the remainder. Production, to start in four years, is expected to have an annual capacity of 850,000 tonnes. Despite overcapacity in world markets, Shaul Ben-Zeev, chief executive of DSW, said China would be able to absorb all its own potash production. The venture will be financed by Chinese and international banks. The agreement ends several years of negotiations, started by Shaul Eisenberg, head of Israel Corporation, the parent company of DSW, who built up a wide range of commercial interests in China before his death last year. **Judy Dempsey, Jerusalem**

FARNBOROUGH AIR SHOW

Airbus adds to record orders

Airbus Industrie yesterday topped its record tally of more than $11bn worth of new orders announced at this week's Farnborough air show, with orders for three more A319 short-haul jets. The consortium said it had won an order for two A319s from Dutch-based leasing firm Debis Air Finance valued at $80m and had sold a A319-CJ corporate jet version of the aircraft to a Middle East buyer.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for September 15 1998 to October 14 (August 15 1998 to September 14 in brackets)

D-Mark	4.99	(5.37)	Yen	2.30	(2.30)
Ecu	4.97	(5.19)	Peseta	5.29	(5.51)
French franc	5.29	(5.53)	Sterling	6.94	(7.20)
Guilder			Swiss franc	3.96	(4.21)
up to 5 years	4.90	(5.30)	US dollar for credits		
5 to 8.5 years	5.10	(5.55)	up to 5 years	6.24	(6.47)
more than 8.5 years	5.60	(5.95)	5 to 8.5 years	6.27	(6.46)
Italian lira	5.54	(5.70)	more than 8.5 years	6.36	(6.52)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

Downturn in Japan 'set to continue'

ASIA-PACIFIC

ASIA CONCERN PROPOSALS BEING STUDIED

Downturn in Japan 'set to continue'

By Gillian Tett and Michiyo Nakamoto in Tokyo

Japan's downturn will continue into the early autumn, Eisuke Sakakibara, Japan's vice minister of finance for international affairs, has warned.

"From what we have observed in July and August, the July to September quarter will not be good," he said.

Mr Sakakibara, who has hitherto been consistently upbeat about the economic outlook, insisted that a rebound would occur later this year, as public spending projects would start in September. However, his comments highlight the growing sense of alarm felt in the Japanese government about the economic downturn in Japan and the rest of Asia.

They come amid signs that Japan may now be pressing for a broader easing of monetary policy by other western countries such as the US.

On Wednesday the Bank of Japan announced that it would loosen monetary policy for the first time in three years by guiding down the overnight call rate – or the money market rate – from around 0.5 per cent towards 0.25 per cent.

The bank has denied that this move was decided in co-ordination with the US. But speaking shortly before the bank's decision was announced, Mr Sakakibara warned that some "major accommodative policy" was needed across the region.

"I don't think the Asian or world crisis is over. We are on the verge of a deflationary spiral and we need to avoid that," he said. "Japan is pursuing an expansionary policy and I think sentiment in the US has shifted slightly."

Separately, Mr Sakakibara also indicated that Japan is considering other proposals to tackle the Asian crisis ahead of a forthcoming meeting of officials from the Group of Seven industrialised countries. These could include measures to boost Asian debt markets, possibly by providing Japanese guarantees for the debt of other *south-east Asian countries.*

"I would like to activate the regional debt market. This could involve some sort of guarantee of sovereign debt, or a yen equivalent of Brady bonds," Mr Sakakibara said.

Brady bonds involved defaulted commercial loans which were then converted by the US government into bonds secured against the collateral of US Treasury bonds.

Japan also wants the G7 to review policies towards capital liberalisation, he added. "In capital liberalisation, proper sequencing is very important and [this] did not exist in south-east Asia," he said.

Mr Sakakibara stressed that he was not personally calling for a reimposition of capital controls in opposition to the IMF. However, he admitted that in some areas Japan had been critical of the Asian policies adopted by the International Monetary Fund over the last year.

And the recent move by Malaysia to impose capital controls has been greeted with considerable sympathy in some parts of the Japanese government.

In a separate interview Kaoru Yosano, minister of international trade and industry, said: "I do not think that other countries will follow the same path [as Malaysia] because this is an emergency measure to fight speculators. [But] there are many points that we can sympathise with about the actions... I believe that there are certain sound reasons for adopting capital controls."

Yields on long-term bonds at new low

By Edward Luce, Capital Markets Editor

The yield on Japanese long-term bonds hit a new low yesterday in a sign that the Bank of Japan's decision to ease credit on Wednesday had the opposite effect to that intended.

With the yield on the 10-year Japanese government bond touching 0.84 per cent at one point yesterday, economists said the Japanese debt markets were entering uncharted territory. The sharp rise in government bond prices (triggering a corresponding fall in bond yields) came after the bank's decision to reduce the overnight interest rate to 0.25 per cent from 0.5 per cent in an attempt to boost liquidity.

"We can't recall any time in modern history that the long bond yield has dipped below 1 per cent in Japan or elsewhere," said Kirit Shah, chief market strategist at Sanwa International. "Investors are putting their money into the safest instrument, Japanese government bonds."

In a normally functioning economy, much of the liquidity generated by an interest rate cut would go into the stock market in the expectation of higher corporate profits. However, economists say that Japanese investors clearly interpreted the interest rate easing as a sign of desperation on the part of the BoJ rather than as a measure which would boost activity in the real economy.

"As long as there is the fear of another bankruptcy in the banking sector or of a deepening recession investors will continue to buy bonds," said one trader. "The yield could even fall as low as 0.5 per cent."

The dilemma for the Japanese authorities is that negative sentiment could defeat the benefits of any further reduction in interest rates. "This is a vicious cycle for the economy," said Mr Shah, "and a virtuous cycle for the bond market."

Thais agree on debt restructuring

By Ted Bardacke in Bangkok

Thailand's central bank, the country's leading industry associations and foreign and domestic financial institutions yesterday endorsed a framework for corporate debt restructuring in a last-ditch attempt to prevent the government from taking charge of Thailand's mounting bad loan problem.

The 19-point non-binding plan will be used as the guideline for all corporate workouts involving multiple creditors, including 800 cases involving more than Bt200bn ($4.9bn) that the central bank has said can be resolved quickly.

Key points of the framework include: the principle that debt restructuring will require business reorganisation – not just new loan repayment terms; a promise by debtors to provide accurate and timely financial information; a pledge by creditors that if such information is forthcoming they will agree to a "standstill" and not charge default interest and other penalties; and that creditors will be treated equally with equity holders suffering the first losses.

Although the plan does not by itself initiate any debt restructuring talks, "it should not be taken lightly... as it sets out a standard of practice and can be referred to as a starting point for talks," said Chatumongol Sonakul, governor of the Bank of Thailand.

Past efforts at debt restructuring have floundered as creditors squabbled among themselves and with borrowers over how to conduct negotiations. Bankers and economists say a recovery in Thailand cannot be engineered unless the bad debt problem is dealt with.

While continuing to support "market-based" solutions, the government has recently shown impatience with the lack of progress and stepped up its involvement in debt restructuring negotiations. Mr Chatumongol said senior central bank officials were being assigned to monitor 20 large and important restructuring cases.

More direct intervention could be coming soon if the guidelines announced yesterday do not foster quick solutions, officials say. Thailand's most recent letter of intent with the International Monetary Fund says that, if necessary, the government will develop procedures "for enforcing [the] timetable for implementing [the] agreed guidelines, including arbitration among deadlocked creditors".

Progress on corporate debt restructuring will be a "key focus" of the IMF's November review of the Thai economy, said the IMF resident representative, Reza Moghadam. He said for yesterday's guidelines to work, Thailand must press on with changes to bankruptcy and foreclosure laws as the current legal framework "does not exert enough pressure on debtors".

Sharif: conditions could pose threat to his government AP

IMF team due for Pakistan talks

By Farhan Bokhari in Lahore

Members of a team from the International Monetary Fund are due to arrive today in Islamabad, to discuss a loan programme to help stave off an impending foreign debt crisis.

In Saudi Arabia yesterday Islamic commercial bankers delayed a decision on Pakistan's request for new commercial loans. But the Jeddah-based Islamic Development Bank (IDB) agreed to put $200m towards what bankers said would be a Pakistan fund where Gulf-based Islamic banks would make further investments.

Pakistan is seeking a package of $1.5bn from the IDB and other institutions. But bankers say Pakistan may run into difficulties repaying the loan, on which it is understood to have offered an interest rate of 5 per cent over Libor.

Independent analysts warned that the IMF negotiations could involve tough conditions that would further undermine the beleaguered government of Nawaz Sharif, prime minister. The Pakistani opposition, which recently launched a campaign against plans to introduce new Islamic *shariah* laws, is likely to oppose such measures as increases in utility tariffs or cuts in spending on development projects.

Hong Kong digs deep into its war chest

By Louise Lucas in Hong Kong

With its big August battle over, Hong Kong is now counting the cost. The tally so far: a depleted war chest and lower interest rates that have brought stability to the markets but carry a sting in the tail.

The sting is a potential drift of money out of Hong Kong dollar deposits and into US dollars. Around 56 per cent of deposits are now held in the local currency as savers enjoy the boon of 10 per cent returns.

Since the government successfully imposed its new measures on the market, interest rates have dropped and the premium over US dollar rates in savings accounts is narrowing. The moves, says Simon Maughan, head of Hong Kong research at Indosuez W.I. Carr, "might totally backfire and undermine the peg because only now does the man in the street move into US dollars".

The reserves are a potent weapon in the defence of its currency peg, the linchpin of Hong Kong's financial system which fixes the exchange rate at HK$7.8 to US$1. The peg is backed by a currency board, under which all Hong Kong dollars are backed by the equivalent number of US dollars.

The government has refused to disclose the cost of its intervention. The only clue doled out by Donald Tsang, financial secretary, is that it is more than he expected.

He admitted spending US$6.2bn in the foreign exchange markets in the first two weeks of August. These funds were used to absorb heavy selling of Hong Kong dollars in what the government has described as a massive pan-global attack.

In the following two weeks, the government changed tack and began aggressively buying shares. The share-buying binge is estimated to have cost some US$14bn to US$15bn – a figure economists say is likely to include the $6.2bn spent on foreign exchange, which left the government with Hong Kong dollars.

Further funds were ploughed into the futures market. Traders reckon the government bought around 40,000 August futures, which expired at the end of the month and generated a profit of less than US$30m. It has less than 20,000 September contracts outstanding.

Even if the damage is limited to US$15bn worth of money in Hong Kong stocks, legislators and analysts see cause for concern. Margaret Ng, a legislator, noted that of the reserves, some US$17.5bn belonged to the Land Fund and a further $30bn belonged to fiscal reserves. Neither, she said, could be spent without legislators' approval.

Some economists argue that the hole could be twice as big as the amount spent: assuming that US dollars were sold for Hong Kong dollars to buy shares, and that the sellers – as seems to have been the case – were largely foreigners who would then convert their proceeds into US dollars in order to repatriate them.

As such, says Mr Maughan, while the accounting loss is small – some US$7bn at the beginning of this week, and less as the stock market has risen – the pool of available funds has shrunk considerably.

His estimate of the money remaining in liquid investments is around HK$300bn (US$39bn). Of that, HK$90bn has to be kept to back notes and coins in issuance.

"If 50 per cent of all selling is going to be money removed from Hong Kong" - foreign selling – "for a year or so, then we have got another two defences of similar size to August left.

"The minute we have done two and we have only got one left, it's all over," he says.

DISABLED PRESIDENCY IMF FUNDING IS JUST ONE OF SEVERAL VITAL POLICY ISSUES ON THE BACKBURNER BECAUSE OF THE FURORE OVER KENNETH STARR'S REPORT

Nation waits to see if Clinton is down or out

By Nancy Dunne in Washington

Congressional Democrats yesterday waited with trepidation for the public release of the special prosecutor's report on President Bill Clinton's alleged transgressions.

"If there's any silver lining, it's thank God this didn't happen to someone really important like Rubin or Greenspan," said one senior Democratic aide, speaking of Robert Rubin, the treasury secretary, and Alan Greenspan, chairman of the Federal Reserve.

The presidential strategy of public apologies was due to embrace the Senate yesterday, including many senators who have been defending Mr Clinton for months. It remains to be seen whether he can overcome the "palpable anger" that one senior aide described within the Democratic caucus in the Senate.

Members remain angry that when Mr Clinton arrived in Washington there was a large majority of Democratic senators – 58 out of 100 – and now there are only 45. The sting of the prosecutor's report could cause that number to slide to 40 in the mid-term elections in November, which would give the Republicans complete control of the Senate agenda and move the body further to the right.

There seems to be little gratitude for the president's toils to raise funds for fellow Democrats, even while under attack for campaign finance practices in the 1996 campaign. He did little to cultivate relationships on Capitol Hill, and there is still hostility over the "triangulation" strategy he employed, moving right after the Republican takeover and ultimately signing a welfare "reform" bill which most Democrats deplore.

"He's as selfish in his politics as he is in his sex life," said one Democrat, who worried that Senator Tom Daschle, the Democratic leader in the Senate, was close to losing control of what has been a unified party caucus. "This complicates the agenda, but it hasn't diminished it," Senator Daschle said yesterday. "It's difficult to compete because we are thwarted by a Republican Congress refusing to act on the patients' bill of rights" among other social policy items.

In the House, Democrats are worried that the pre-occupation with an impeachment inquiry will reduce the already dubious prospects for passage of $18bn for the International Monetary Fund and back dues for the United Nations. The House appropriations committee yesterday was expected to vote only $3.5bn for the IMF, resisting pleas that the turmoil in the world financial markets requires more.

Congressman Barney Frank, a key member of the judiciary committee, bemoaned the loss of debate over health care and campaign finance. "There is a need for debate over globalisation, the volatility of capital, interest rates," he said, but these are obscured by the obsessive coverage of the impeachment inquiry. The congressman said the president's behaviour was "irresponsible" but "it doesn't justify impeachment."

The common refrain is the president's chances of rehabilitation depend largely on evidence in the special prosecutor's report, which could be released today.

Republicans know that for impeachment proceedings to succeed, they must have a bipartisan approach. House leaders vowed that they would rise above party, but differences are already emerging.

While Republican leaders were planning to rush the report out on the Internet, minority leaders in both houses said Democrats did not want Congress to be so hasty. "There's a deep feeling in the (Democratic) caucus that the president has the right to see the material for a reasonable time before it's released to the public," said Richard Gephardt, House minority leader. "There's a great desire for fairness. There's a great desire to do this in the right way. Members understand the importance of what's being done here."

However, Gerald Solomon, chairman of the House rules committee, proceeded to draw up a resolution authorising publication of the 445-page report.

Among the various groups which work closely with the White House, there was general weariness about the scandal which has obscured so many issues.

Healthcare and immigration reform are also potential victims of the scandal. "There is a great sadness among "New Democrats" (centrists), said Susan Aaronson, an historian. "This was the president that was to move his party to the twenty-first century, and he did succeed in making it the party of high tech and multilateral big business. But many Democrats feel ashamed and angry with him because he's put their party in jeopardy."

One environmental spokesman said that her organisation had been working on legislation to preserve rhinos and tigers but that the proposals were likely be ignored this week when they were due to come under consideration. "No one cares about the sex life of a tiger or rhino," she said.

Starr becomes the whipping-boy for party faithful

Rank-and-file supporters are prepared to forgive and forget, in contrast to their congressional leaders, writes **Adrian Michaels**

Grassroots Democrats have had enough of Kenneth Starr, the independent prosecutor. In stark contrast to the anger and sharp criticism aimed at the president from congressional Democrat leaders this week, the party faithful are more inclined to the unrepentant line taken by Bill Clinton in his earlier statements and "apologies".

The timing could not have been better: 200 delegates at the annual Democratic Business Council issues conference in a plush Washington hotel. One female delegate was irate. "I'm angry at Ken Starr. I'm angry at the existence of a Ken Starr. As I look back at the McCarthy era and wonder what we were doing, our children will look back at this and think the same thing."

She was joined in her view by a delegate from North Carolina: "I think everyone's heard enough [of Starr], the people working for the party have an agenda, the things they believe in. People want this to move forward, it has overshadowed the good work they've done."

Yesterday's all-day meeting, organised by the Democratic National Committee, brought committed Democrat business people, rank-and-file supporters and party workers together from across the US.

Dodging the swinging boom microphones of the media scrum, they first ducked into a closed breakfast address by Robert Rubin, Treasury secretary – "He made a couple of good quips and was pretty realistic about the Asian and Russian situations," said one delegate - and were later addressed by Al Gore.

The vice-president's first engagement of the day was a study in avoidance. He gave a speech announcing new data showing that last month was the warmest August on record.

The delegates seemed a little reluctant to talk politics, and were adamant when pressed that the party's chances in November's congressional elections had not been harmed.

"People [the media] are overplaying it," said one. "I don't care. Nobody cares. It's none of our business." Her husband, a musical instrument manufacturer, joined in: "We're very positive about the administration and the first family."

The faithful's view seemed to clash so sharply with the attitude of the party's leadership that one wondered if the congressional Democrats had overreacted, even panicked, at the thought of faring badly in the elections. But the delegates disagreed. "The party is not panicking," said one from Baltimore, Maryland. "The staunchest supporters will double their efforts, the party will rally."

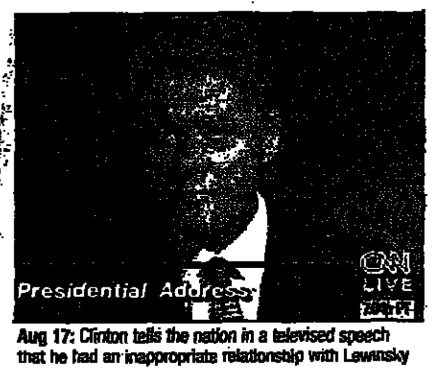
Meanwhile, more Clinton supporters from outside the capital were banding together. A "newly formed group of citizens and legislators" calling itself Americans to Save the Presidency gathered at the district office in Virginia of Democratic Congressman Jim Moran. The group, calling Mr Moran "a leader of the treasonous 'New Democrats' trying to stampede President Clinton into resigning", comprised mostly state politicians from across the US.

Perhaps the state senators and representatives were worried that Democrat candidates in the elections would be asked to talk of nothing else on the stump, a fate the president has suffered at all his recent public appearances. Back at the hotel, the Baltimore delegate did not agree: "Democrats are not being ambushed. They are carrying on with business. It's not hard to get the message out because we're the only party with a message."

There was one mildly dissenting view: "I can't see Democrat voters moving away from an incumbent to let in, say, a Republican from Iowa. But a non-incumbent Democrat might have trouble trying to raise other issues." This from a bemused banker, at the hotel for a different conference.

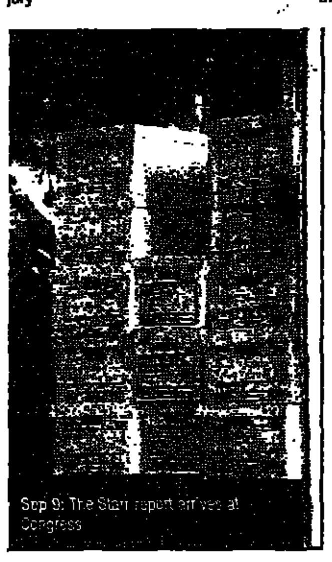
The fall from grace of a man doing a good job

Aug 6: Lewinsky testifies to grand jury



Aug 17: Clinton tells the nation in a televised speech that he had an inappropriate relationship with Lewinsky

Sep 3: Key Democrat Senator Joseph Lieberman says Clinton's behaviour was immoral



Sep 9: The Starr report arrives at Congress

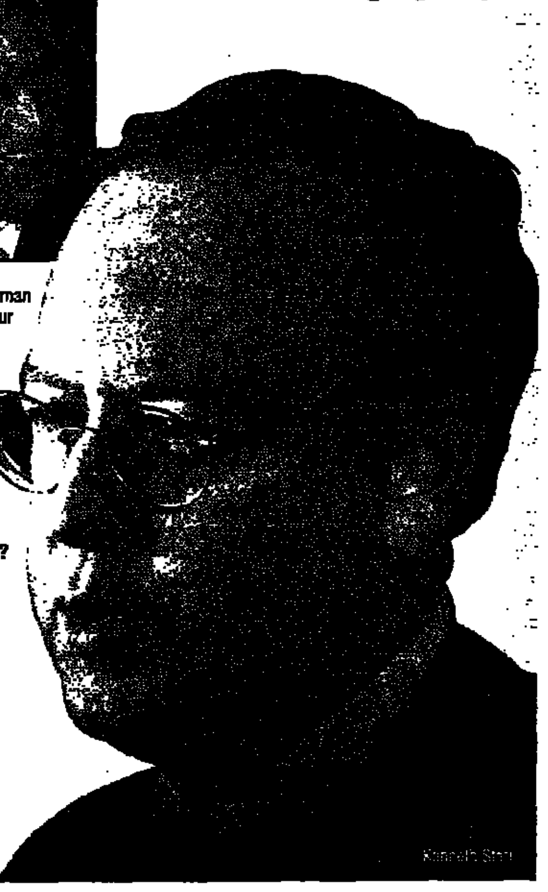
Latest public polls

Is your opinion of Bill Clinton favourable?	
This week	43%
Last month	48%

Do you approve of the way Bill Clinton is handling his job as president?	
This week	59%
Last month	65%

Do you approve of the way Bill Clinton is handling the economy?	
This week	73%
Last month	73%

Source: CBS News Poll



Kenneth Starr

Impeachment: just start of a painful process

By Richard Wolffe in Washington

If it were to happen, impeachment would be just the start – not the end – of the painful process of charging the US president or other officials with what the constitution calls "Treason, Bribery or other high Crimes and Misdemeanors".

Impeachment is merely a charge or indictment, which must begin in the lower House of Representatives with a simple majority vote.

The actual trial of the accused would be conducted in the upper branch of Congress, the Senate.

The chief justice of the US would preside over the trial of a president, followed by a debate among senators in closed session. A two-thirds majority of senators present would be needed for a conviction.

Punishment would take a single form: the removal from office. Its primary purpose is to protect the public office from corruption and falling into disrepute. However, criminal charges could follow in the traditional courts.

The process of impeachment would start with the House voting for a resolution ordering the judiciary committee to investigate the charges. That initial step began yesterday with a resolution in the House to direct the judiciary committee "to undertake an inquiry into whether grounds exist to impeach William Jefferson Clinton, the President of the United States".

For the Founding Fathers, impeachment was intended to be a complex constitutional process – not a means of waging political war. The exception was the Republican-led impeachment of President Andrew Johnson in 1868. President Johnson, a southerner, was accused – among other things – of speaking disrespectfully of Congress in a loud voice.

The trial, based on 11 articles of impeachment, lasted for three months and centred on the sacking of Edwin Stanton, war secretary. The Senate voted to convict the president, but missed the two-thirds margin by one vote.

In 1974, the Watergate scandal led to a very different impeachment process. The House judiciary committee voted in favour of resolutions charging that President Richard Nixon had helped to cover up the Watergate break-in. But he resigned before the House voted on impeachment, after releasing a transcript of taped conversations revealing his own role in the cover-up.

His departure from office came only after Republicans went to the White House to say they could no longer support his presidency.

He was never tried for his involvement in the Watergate burglary and cover-up, because he was pardoned of all crimes by his successor, President Gerald Ford.

Microsoft counter-attack pulls in entire computer industry

The group appears to be seeking evidence of conspiracies by rivals to undermine its market position, writes **Louise Kehoe**

Microsoft's antitrust battles are threatening to engulf the entire US computer industry as new allegations and counter charges involving several of the industry's largest companies are dragged into the case.

Less than two weeks before the scheduled start of the landmark antitrust trial against Microsoft by the US Justice Department and 20 state attorneys-general, the complex relationships between the software giant's rivals and partners are coming under increased scrutiny.

Microsoft has issued subpoenas to Apple Computer, International Business Machines, Intel, Netscape Communications, Novell, Oracle and Sun Microsystems demanding information about their "efforts to collaborate in competition with Microsoft". The companies have been "doing everything Microsoft is doing, and possibly more," Microsoft said. Intel is already facing antitrust charges brought by the Federal Trade Commission.

Microsoft's subpoenas appear to be an attempt to seek evidence of conspiracies by rivals to undermine its market position. In effect, the company is saying that, if it is charged with antitrust violations, then several other companies should also face charges.

Microsoft said it had issued the subpoenas in response to "new and groundless allegations" introduced by the Justice Department last week. In a move to bolster their case against the software group, prosecutors added charges that the company had used its monopoly power to pressure Intel, Apple and others to drop multimedia software development efforts.

Prospects of the trial getting under way as planned are diminishing

Until then the case had focused largely on allegations that Microsoft used its market strength to squash competition from Netscape Communications in the market for internet browsers.

Prosecutors have portrayed Microsoft as a bully, hitting out at its smaller rivals and demanding exclusive allegiance from its partners. However, by broadening the case the Justice Department has given Microsoft an opportunity to present a more detailed picture of its role within the computer industry and the complicated mix of rivalry and collaboration in which it operates.

Relationships among software and computer companies are often complex. The industry has coined the term "co-opetition" to describe how companies frequently compete vigorously in one market segment, only to co-operate in another.

Just this week, for example, Microsoft and Sun Microsystems are facing each other in a Californian courtroom in a dispute over Java, a software development technology. Yet on Wednesday Sun announced moves to make its computers run on applications designed for Microsoft's Windows operating system.

If Microsoft's rivals are to come under scrutiny, so too may its partners. Intel, the company's closest partner, has been the "bandleader" of efforts to unify Unix, a widely used computer operating system, according to Larry Ellison, chairman of Oracle and an outspoken critic of Microsoft.

Intel acknowledged it had been "actively involved", but said it had not been a "leader".

Mr Ellison also charged this week that Microsoft had attempted to undermine another industry initiative, led by Oracle, to create standards for "network computers" (NC) – low-cost computers that could be linked to the internet. The NC was presented as an alternative to personal computers running Microsoft software.

Gates on the offensive AP

Mr Ellison alleged that Bill Gates, Microsoft chairman and chief executive, had pressured Digital Equipment to drop plans to build NCs. Digital, since acquired by Compaq Computer, is a strong supporter of Microsoft's efforts to move into large computer systems software. Yesterday Compaq declined to comment.

Amid the charges and counter charges, the prospects of the Microsoft antitrust trial getting under way as planned on September 23 appear to be diminishing.

A hearing on whether new evidence will be allowed to be introduced into the case is scheduled for next week. That hearing could determine whether Microsoft, or the entire computer and software industry, is on trial.

US trade hit hard by Asian crisis

By Adrian Michaels in Washington

The current account deficit, the broadest measure of US trade performance, leapt 21 per cent during the second quarter as the Asian economic crisis continued to hit exports, the Commerce Department said yesterday.

The deficit deteriorated to a record $56.5bn in the period from April to June after a deficit of $46.7bn in the first quarter. Most of the increase came from the merchandise trade deficit which rose to $64.8bn from $55.7bn.

The increase means the current account deficit for this year could top $200bn, which would be the worst figure since records began after the second world war.

The trade surplus in services improved slightly but was more than offset by a deficit in investment income.

Ed McKelvey, at Goldman Sachs in New York, said the current account figures were largely in line with expectations. The rise was not all down to Asia, he said. Some had come from a drop in exports to Europe and also from the strength of the US economy.

The Labour Department announced that initial unemployment claims rose 8,000 to 312,000 last week, mostly because of the strike at Northwest Airlines. This was the highest figure since mid-July.

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MONETARY POLICY INTEREST RATES ON HOLD BUT MAY BE CUT IF INTERNATIONAL CONDITIONS WORSEN

Central bank issues rare 'risk' warning

By Richard Adams and David Wighton

The Bank of England, the UK central bank, yesterday said it was ready to cut interest rates if the international economic situation worsened.

After voting to keep official interest rates unchanged at 7.50 per cent, the Bank's monetary policy committee took the unprecedented step of stating that it had discussed "the potential impact of recent international and domestic economic developments" on the UK.

"Although the committee judges that the current level of interest rates is necessary to meet the inflation target, it recognises that deterioration in the international economy could increase the risks of inflation falling below the target. The committee will continue to monitor these risks," the Bank said.

The statement was the first time the committee had commented following a "no change" decision in its 16-month history. The committee is mandated by the government to aim to keep underlying inflation at an annual rate of 2.5 per cent.

Michael Saunders, UK economist at Salomon Smith Barney investment bank in London, cautioned against exaggerating the committee's eagerness to cut rates. "From the MPC's side, external events would have to worsen, or the impact of external events on the UK would have to be surprisingly big, to persuade them to ease," Mr Saunders said.

But the financial markets seized on the hint that rates could be lowered soon. Interest rate future contracts sold in London now anticipate that rates will be cut to 7 per cent by the end of this year. Sterling sank by two pfennigs against the D-Mark during the day to DM2.845, the pound's weakest level against the German currency since last October.

The Confederation of British Industry, the employers' group, said the depressed outlook for the UK economy meant a cut was urgently needed.

The CBI's distributive trades survey for August found that 34 per cent of retailers reported a fall in annual sales growth, while only 32 per cent said sales had increased. "The latest evidence on inflation has generally supported the view that the upward risk to the inflation target is subsiding, whereas the downward risk to growth is becoming more serious," said Kate Barker, the CBI's chief economist.

"Our concern is that business will have to continue to endure the slow torture caused by the combination of high interest rates, a strong pound and economic turmoil abroad," said Ian Peters, deputy director of the British Chambers of Commerce.

The Bank of England's statement followed an unusually candid remark by Tony Blair, the prime minister.

He said in a television interview on Wednesday night: "If we get over this interest rate peak – as I hope we may be – and the pound is already coming down gently in the way it should ... then we have the best chance of long-term stability for the future."

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Trade union body revises growth forecasts downwards

The Trades Union Congress has revised down its forecasts for the UK economy in 1999 as a result of the worsening global economic slowdown, it announced yesterday, **Robert Taylor writes.** The TUC now expects a UK annual growth rate of 1.25 per cent next year, down from 1.50 per cent in its summer projection. It also believes registered unemployment will increase by 230,000 by the end of 1999, compared with the 200,000 increase it expected in the summer. It also warned the pound would continue to look "vulnerable outside the stability of European monetary union, caught between the dollar and the euro". The organisation also believes the slowdown in world trade will put pressure on UK exports. But it says an "outright recession" can still be avoided in the UK if the government's economic policy can ensure stability over the coming year.

It also calls for a cut in interest rates, a managed exchange rate policy with a commitment to a DM2.50 target rate for entry of the pound into Emu and a "regionally-targeted public investment programme".

Euro poll may open old wounds for leader of opposition

Disagreements have dogged Conservatives since UK entry to the 'Common Market', says **Deborah Hargreaves**

Flashback: Conservative prime minister Edward Heath hoped to end bickering when he signed Britain's acceptance of European Community membership in 1972. But his party's long internal dispute about Britain's place in Europe had scarcely begun Popperfoto

William Hague, leader of Britain's opposition Conservative party, runs the risk of reopening old wounds with his decision this week to ballot members on the European single currency.

Disputes about UK membership of the European Union have dogged the party since Edward Heath, the former Conservative prime minister, adopted membership of what was then the European Community, or Common Market, in 1972. Sir Edward, who has remained firmly pro-European, said Mr Hague's latest move was "absolutely unjustified". He added: "The rest of the country and Europe will just regard it as a 'smart-alec' attempt by Mr Hague to get his own way without proper discussion within the party."

Mr Hague said on Monday he would bring forward a planned poll of party members on the euro and announce the result on the eve of the party's annual conference on October 6.

He hopes that endorsement of the party stance against the single currency will discourage the embarrassing disputes over Europe that have dominated the party's conferences in previous years.

But Mr Hague has been warned by Chris Patten, the last governor of Hong Kong and former party chairman, that the poll will not heal Conservative divisions over the single currency.

Mr Patten said prominent pro-European Conservatives such as Kenneth Clarke and Michael Heseltine would speak out against the leadership's opposition to the euro. Mr Clarke, who was chancellor of the exchequer in the former Conservative government led by John Major, was defeated by Mr Hague in the leadership election caused by the resignation of Mr Major last year. Mr Heseltine was Mr Major's deputy.

Mr Hague has ruled out Britain joining the single currency for 10 years.

Mr Clarke wants the party to keep an open mind; he has said his views are well known and he will not be changing his mind.

"The vote will go William's way, but I don't think the debate is over," Mr Patten said. "I would much prefer us to have tried to find an honourable compromise which would have put off any final decision and let the party fight, if it came to that, on different sides of a referendum."

Tony Blair's Labour government, which ousted Mr Major's administration in the national elections of May 1997, has pledged to hold a referendum on Britain's membership of the single currency in the next parliamentary term.

Baroness Thatcher, the former Conservative prime minister deposed in 1990 partly because of her strident anti-European views, has thrown her weight behind the Mr Hague's decision to ballot party members. She believes it should go further and pledge never to give up sterling.

Lady Thatcher is still influential among right-wingers who would prefer to see Mr Hague taking a stronger line and the poll threatens to reopen the deep rift within the party that virtually tore it apart in Mr Major's final years in office. Mr Major, who has backed Mr Hague's decision to call an early vote, said: "The party cannot afford a continuation of the disputes that crippled us in the last parliament."

Many of the Conservatives' estimated 350,000 members strongly oppose a single currency and have made their voices heard loudly at past conferences.

But the party's pro-European wing contains many prominent "grandees" who are equally vociferous.

Mr Hague has said he would not expel party members who oppose his stance on the euro, but they would be "increasingly on their own".

He added: "The best way for the Conservative party to set about winning the next election is to sort out this problem that has dogged us for years, to confront it, to deal with it and to move on."

His words echo Mr Major's plea to the party in July 1995 after he called a leadership vote – a staggering move for the governing party in mid-term.

Mr Major won. But instead of uniting the party, the acrimonious campaign served only to deepen its divisions. His rival in that election was John Redwood, who resigned from his government to oppose him for the leadership. Mr Redwood is now the party's chief industry spokesman and plays a big role in reminding Mr Hague of the strength of anti-euro sentiment in the party.

The question to be asked of party members in the ballot

The party leader and the shadow cabinet have agreed that the Conservative party will oppose British membership of the single currency at the next election as part of our manifesto for the next parliament. Do you endorse the policy of the party leader and the shadow cabinet?

NY move signals change in Foreign Office

By David Wighton, Political Correspondent

The government is to invite applicants from the private sector for the post of director of trade promotion in New York as part of the Foreign Office's modernisation programme.

Derek Fatchett, a Foreign Office minister, said the government wanted to widen the field for what was a very important job. "It may well be that a civil servant turns out to be the best person for the job but this is an important way of invigorating the Foreign Office," he said.

Mr Fatchett announced the move after publishing the recommendations of Panel 2000, a group that advises the government on how to improve the image of the UK. The panel proposes using the experience gained from the successful New Images campaign in Australia by launching co-ordinated campaigns in Germany, Brazil, Poland, China, South Africa and a region of the US.

Mr Fatchett said polling evidence suggested that the Australian campaign achieved a significant change in Britain's image, which had been of an old-fashioned country incapable of change.

The recommendations include making greater use of embassies and residencies as "showcases" for modern Britain and setting up an award scheme for those representing the best of British overseas.

The plans also call for the development of "one stop shops" in many countries bringing together Foreign Office staff with tourism promotion and bodies such as the British Council. "We should also look at the possibility of including private companies," they say.

In Britain, the panel stresses the importance of improving "presentation" at Heathrow and Gatwick airports. Mr Fatchett conceded the government had only "limited control" over the airports, which are run by BAA. But he said the first impressions created were "incredibly important". It was vital "to make sure that there is a degree of warmth about the welcome they receive", he said.

Following the criticism of the idea that the panel would be promoting "Cool Britannia", its report is deliberately low-key and includes no reference to pop music. Mr Fatchett insisted that the omission was not deliberate and the government recognised the importance of popular music in terms of Britain's image and overseas trade.

AVIATION INVESTIGATOR SAYS ADVANCED CONTROL SYSTEM NEEDED 12 YEARS TO DEVELOP

Adviser hits at air traffic centre timetable

By Michael Skapinker, Aerospace Correspondent

The consultant engaged by the air traffic control service to report on computer problems at its new centre says the project suffered from an over-ambitious timetable and poor communication between managers and technical experts.

But Nigel Horne, chairman of Alcatel UK, says the £339m ($559m) centre at Swanwick in southern England is technically viable and most of its problems have been resolved.

The control centre, seen as the world's most advanced, was to open in 1996 but will not begin operating before 2000 at the earliest. The National Air Traffic Services (Nats) was severely criticised by the House of Commons transport committee this year for its management of Swanwick.

The government, which seeks to privatise Nats, ordered its own inquiry in June, to be conducted by the Defence Evaluation and Research Agency.

Mr Horne, a former senior executive at GEC and computer company ICL, was asked by Nats in January to report on whether the Swanwick system was viable. He said in an interview that he had concluded that it was. "It will work. There's no doubt in my mind," he said.

Mr Horne said the biggest problem had been that Nats managers had assumed in 1990 that they could complete the centre in six years when 12 would have been more realistic. The computer system ran into difficulties but this was not unusual.

Mr Horne said the Nats managers' optimism appeared to have stemmed from the decision by the US Federal Aviation Administration to adopt a similar control system.

But the US abandoned the system, which was, Mr Horne said, far more complex than that proposed for Swanwick.

Communication between Nats executives and project managers from both Nats and Lockheed Martin, the US company responsible for the computer system, had been poor. Mr Horne said: "That's not an unusual problem and it's now been vigorously overcome."

Loss of duty-free may push up charges, says airport

Birmingham Airport, the UK's fourth biggest, will today warn charges might have to be raised to cover the loss of duty-free sales. They accounted for half last year's profits, **writes Juliette Jowit in Birmingham.** Brian Summers, managing director, said price pressure from low-cost carriers is also hitting airports, which are also struggling with growing European Union regulation and the strong pound. The airport's results for the year to March 31 show turnover increased 7 per cent to £77.7m ($128m) on the back of an 11.5 per cent increase in passengers. Pre-tax profits were flat at £20.3m after an exceptional cost of £24m towards the airport's £260m development. The airport, which receives a cut of the profit margin on duty-free sales, expects to lose 70 per cent of this revenue when sales for other EU countries are abolished as expected next year.

KPMG 'bottled up' personal data on sultan's brother, court hears

By Jim Kelly in London

Accountants KPMG "bottled up" information about the private financial affairs of Prince Jefri, the disaffected younger brother of the Sultan of Brunei, and as a result there was no real risk it could ever leak, the High Court in London heard yesterday.

Mr Ali Malek, a lawyer for the firm, said that "Chinese walls" meant KPMG could decide to act for the Brunei Investment Agency on Project Gemma – an investigation into the troubled sultanate's finances.

Prince Jefri is seeking an injunction to stop KPMG acting for the BIA – which he headed until he was removed this year – on the grounds that the firm has intimate knowledge of his personal financial affairs which might leak.

Mr Malek said KPMG had a long relationship with the BIA, which was known to Prince Jefri, and audited "certain assets" in 1995, 1996 and 1997.

When the BIA wanted a firm to act in Project Gemma it had turned to KPMG. "This is not a case where this work could be done as well by any set of accountants," said Mr Malek. He added that the BIA "expected and required" KPMG to respect the confidentiality of Prince Jefri's personal affairs.

Mr Malek said it was "hypothetical" whether the BIA investigation would target Prince Jefri or eventually lead to criminal issues being uncovered. He said there was no evidence to support such suggestions.

The court heard that Allen & Overy, the law firm, faced a similar situation to KPMG and had withdrawn from working for the BIA.

Mr Malek said solicitors could not be compared to accountants as the confidential information they held was very specific and there was only a small "overlap" between cases.

He said that as soon as KPMG began acting for Prince Jefri in the Manoukian case, codenamed Project Lucy, the accountants had erected Chinese walls. "The people working on Project Lucy knew this was a very special client. The information was bottled up." Documents, both hard copies and electronic, were protected.

Mr Malek said KPMG was not working for both clients at the same time and that the firm had already given an undertaking in court that information would not leak.

Mr Gordon Pollock, a lawyer for Prince Jefri, said that documents had been locked up in lawyers offices, as had three CD-Roms and a laptop computer. There was thus "an enormous hole in the Chinese wall" within the firm as KPMG had not acted quickly enough to secure data.

He said that for more than a month after KPMG accepted the assignment with the BIA Project Lucy documents had been available to all members of the firm on the internal computer system. Furthermore KPMG had not obtained a specific waiver from the BIA over the overlap with Project Lucy until after the case had begun in London last week. He said the BIA was targeting Prince Jefri and did not want KPMG "forewarning" him of the investigation.

He added that the waiver obtained from the BIA referred to Prince Jefri's personal affairs and not his role as former head of the BIA.

NEWS DIGEST

INWARD INVESTMENT

Siemens may not repay grants for failed plant

Tony Blair, the prime minister, came under renewed attack over the failure of high profile inward investment projects after Siemens indicated it may not repay all £50m ($82.5m) of the government grants it received for the semiconductor plant it is closing. Lew Avis, personnel director of the plant in north-east England, was quoted as saying that the subsidies would be repaid only where they were "recoverable".

Siemens originally said it would "in principle repay all the grant". But in a TV interview on Wednesday Mr Blair was asked whether companies such as Siemens should pay back grants. "Not unless we want to start saying to foreign investors 'We are going to give you a different deal from the deal you can get in other countries.' Don't think that other countries aren't desperate to attract people."

Siemens said it would wait to see which grants the government deemed repayable. It said this might not cover grants such as training subsidies for which the benefit was not lost if the plant closed.

John Redwood, the chief industry spokesman for the opposition Conservative party, criticised Mr Blair for not adopting a tougher position. "Since they offered to pay it all back Mr Blair should thank Siemens and ask for the cheque," he said. **David Wighton, London**

ELECTRONICS

Lite-On winds down plant

Lite-On Technology, a Taiwanese electronics company, announced yesterday that production will cease this month at its Mossend factory in central Scotland. The computer monitor manufacturer had already cut more than 200 jobs in May. The factory, for which there were once hopes for 1,000 jobs, opened 18 months ago. The workforce will soon be reduced to 10. The company blamed the acutely depressed state of the global monitor manufacturing industry.

Lite-On told Locate in Scotland, the inward investment agency, that it would maintain the plant in the hope of building up employment when market conditions improve. Gus Macdonald, Scottish industry minister in the UK government, said Lite-On's monitor operations were losing $1m a month and it was closing production lines in other parts of the world. **Brian Groom, London**

UNIT TRUSTS

$226m 'locked' in Malaysia

Imro, the fund management watchdog, revealed yesterday that UK unit trusts had £137m ($225m) invested in Malaysia when exchange controls were announced effectively locking in their money for a year. The figure was revealed following a meeting between the regulator and fund managers and trustees most affected by last week's move by the Malaysian government. Twenty-seven of the 177 UK unit trusts with an exposure to Malaysia are causing most concern. These funds, which have more than 5 per cent of their total invested in the country, have total assets of £700m and about 96,000 investors. The Malaysian government restricted foreigners selling shares from repatriating profits for a year. The move has hit open-ended funds, such as unit trusts or mutual funds, as they have to sell parts of their portfolios to meet redemptions by investors.

Four funds have suspended dealings in the past week because they hold about 20 per cent of their total £44m in Malaysian assets. Representatives from the companies running these funds – Fidelity International, HSBC and Jardine Fleming – were understood to have attended yesterday's meeting. The chief purpose of yesterday's meeting was to try to agree a way of valuing the investments even though they cannot be traded. **Jane Martinson, London**

CHANNEL TUNNEL RAIL LINK

$4bn bond issue proposed

The government yesterday put forward proposals for the issue of £2.65bn ($4.37bn) worth of guaranteed bonds to finance the rail link to the Channel tunnel between England and France, but ran into objections from some City institutions. The unusual nature of the issue, which would not be a conventional gilt issue nor a standard corporate Eurobond was causing problems for some potential market-makers and investors. Schroders, the merchant bank advising the government on the link, unveiled plans for a two or three stage bond issue in meetings with bankers specialising in gilt-edged issues and with investors. The issue of government-guaranteed funding on this scale has no recent parallels and has excited considerable interest on the part of City institutions.

The government offered a guarantee for a total of £3.8bn of funding in June as part of a package intended to revive the project after the original financing proposals collapsed. The 110km rail link will be built in two stages between the Channel tunnel entrance and London St Pancras and will cut 35 minutes from journey times between England and France. **Charles Batchelor, London**

STATE HEALTH SERVICE

No price set for Viagra

The state health service has yet to agree how much it will pay for Viagra – or whether family doctors will be allowed to prescribe it – even though the male impotency pill is likely to be approved by European regulators next week. Pfizer, the US pharmaceuticals company that developed the sought-after drug, has proposed a price of £4.84 ($7.98) per 50mg tablet. It said this was in line with the US wholesale price. That has not yet been accepted by the UK Department of Health.

"We havn't fixed a price yet; that's still in discussions," said the department. "Viagra has the potential to be a great burden on the National Health Service." Pfizer yesterday rejected those claims. "A realistic estimate would suggest that the cost of treatment could reach around £50m after five years," said Ken Moran, chairman and managing director of Pfizer UK. Reports that Viagra could ratchet up an annual National Health Service bill of £1bn – compared with a total NHS drugs bill of £4.5bn – were "ludicrous". **David Pilling, London**

BUSINESS LUNCH NICK HODGES, LONDON INTERNATIONAL GROUP

A round peg in a round hole

Condoms have come out of the closet. Go to a dinner and everyone wants to talk about them, the smiling LIG chief tells **Lucy Kellaway**

Two things make Mr Hodges happy, apart from promoting Durex and rubber gloves: good food and wine — Jason Orton

In the Daily Telegraph last week there was a letter remarking on the craze for photographing company chiefs alongside their products.

What a pity, the reader wrote, that we never see the boss of London International Group (manufacturer of Durex) striking intimate poses with *his* product.

The very next day I had lunch with Nick Hodges, chief executive of LIG, and I drew his attention to this vulgar little letter. "Oh I've done *that*," he said in an off-hand sort of way.

When I got back to the office I checked his picture file and, sure enough, there were countless pictures of this same exceedingly fat man standing by giant inflated condoms and of him and fellow board members drowning in packets of Durex Avanti, Fetherlite, Ramses Extra.

There were even pictures of him wearing LIG's second most famous product – Marigold rubber gloves.

In preparation for our lunch I had discovered that there are two things that make Mr Hodges happy – apart from promoting Durex and rubber gloves – good food and wine.

I had also discovered that he hates lateness.

The occasion started well. On the stroke of one we were both installed at our table at the Savoy River Room in London. He found oysters on the menu to eat, and a bottle of *grand cru* Chablis to drink.

He smiled constantly. Maybe he was very happy that day. Or maybe it was just a mannerism. Hard to say.

"I was an optician by training," he said apropos of nothing. The problem with being an optician was that it didn't involve selling, and there were no perks. "All my friends had fast cars, whereas opticians seemed to live in the dark."

So he dropped the idea of being an optician and went to work at Crosse & Blackwell where he could sell Branston Pickle and drive a company car at the same time.

"I was very good at maths, especially mental arithmetic. That was why I went into being an optician. It's basically a mathematics degree."

The wine was brought and a small amount poured into his glass. He looked at it. Sniffed it. Moved it about in his glass. Took a mouthful. Swished it about a bit in his mouth, and finally nodded. It was OK.

So, I said, what is 13 times 13? He roared with laughter and changed the subject.

He told me how he usually has a quick bite in the office canteen when he is in London but how 70 per cent of his time is spent travelling.

"Travel gets easier and easier. Its easier to get to Singapore than to get to Edinburgh."

There is nothing that he loves more than turning up in a strange place half way across the world and selling them gloves and condoms, talking joint ventures and inspecting companies he might like to buy.

'I was an optician by training. The problem with being an optician was that it didn't involve selling, and there were no perks'

"We have scanned every condom company around the world and marked them down from the must-haves to the dogs."

Are there a lot of dog condom companies, I asked.

"There are unfortunately," he replied, shaking his head.

"We are – as you know – desperately trying to bring new products to market," he went on. "We have a number of new innovations. Not just colours or ribs. We've got Avanti, the non-latex condom. We've also got a donning device."

A what, I asked, and then regretted it.

"The donning device which automatically helps the male or female place it in position." He slipped an oyster into his mouth.

The problem, he explained, was that LIG needs new users. "If condoms are seen as an encumbrance to the act, they are going to be second best. I always say to my marketing managers that what they've got to develop is a product that people will be convinced is even more exciting with a condom than not having anything at all."

Isn't that asking the impossible?

He wrinkled his nose. "Yes," he said reluctantly, but continued to smile.

Several waiters crowded round swiping silver domes off plates. Mr Hodges stared at a large piece of meat. "I ordered liver," he said putting his hand on his substantial hip.

I too had been given the wrong thing. "This is turning into a nightmare!" For I minute I wondered if he was going to get cross, but he just laughed.

"So where were we?" he asked when we had been given the right dishes.

We were – of course – talking about condoms. How they were better than barbaric sterilisations, about how how Aids had – after a brief flurry of interest – done practically nothing to boost demand.

"Youngsters don't think they are going to get it," he said, shaking his head.

"Condoms have come out of the closet a great deal," he went on. "It used to be more of an after dinner conversation for men. Now you go out to dinner and everyone wants to talk about condoms."

Doesn't he ever want to talk about something else?

"I never get bored with talking about the job. I get bored with hearing the same jokes."

He refused any more wine – he had actually eaten and drunk very little for a man of his girth and his enthusiasms.

"I try not to drink at lunch and have two days a week when I don't drink at all," he explained.

He then tells me that he is fit and that he has a swimming pool at his home in Buckinghamshire which he uses on most days.

"I can still race anyone down the airport concourse," he insisted.

Mr Hodges is an odd mixture of humble and arrogant. On one hand he tells me how shameful it is that he speaks no foreign language, and how he would have benefited from going to business school.

Yet on the other he is in no doubt that he is perfectly qualified for the job in hand.

"Good leaders are born. It's in their make up," he said. He describes how he became chief executive by accident five years ago at the age of 53, at a time when he had given up hope of rising beyond his position as a divisional director, but how he finds himself a round peg in a round hole.

"The job suited me ideally. It was what I should have had at 40. I've been most successful at this – though I was a pretty good salesman too."

What does it take?

"You've got to be determined. Set yourself a goal and not allow yourself to be thrown off course.

Which means being ruthless?

Again he screwed up his face.

"Yes. You are going to be surrounded by people who aspire to your job."

The chief difficulty in running a company is in sorting out the sheep from the goats. There is a temptation to treat and pay people equally which he regards as being quite wrong. "There are a small number of people who deliver. A large number in the middle and a small number who don't deliver."

He has no hesitation in firing the dogs. Indeed, he subscribes to the view – popular among those who do a lot of firing – that in getting rid of them he is doing them a favour.

"It's better for them to change careers than to sit in a job they have been underperforming in."

"I have a fairly rigorous appraisal system and I like to surround myself with people who are winners – in all senses of the word," he said.

For the time being these winners aspire to his job in vain. Mr Hodges is enjoying himself far too much to retire when he reaches 60 next year, and says he may go on for another four years yet.

"I've got a good life," he says, and proceeds to tell me that in his moments off he and his wife go to their second house near the French Alps where there are further tempting restaurants to sample.

"We go out to dinner, sit on the balcony."

Does he read, I ask.

"I *do* read," he says doubtfully, and then says that he really likes to read the newspapers and then snooze on the balcony. Oh, and to watch rugby on the television.

He reached for the bill, but I said I was paying. "Very kind. Thank you very much. I must tell you that this is extremely unusual," he said shaking his head.

DAVID BOWEN
WEB SITE INSPECTION

Boeing's leading edge

There may be a truce in the air but on the web Boeing has outflown rival Airbus with a better performance all round

Boeing and Airbus may have declared a truce in their fight for market share, but any visitor to the UK's Farnborough Air Show this week can see that the rivalry is as fierce as ever. The web is another battleground – but not, I feel, a crucial one.

The problem is that it is difficult to see just who the websites are for.

Companies intimately involved will be – should be? – plugged into intranets or extranets, and potential buyers of a 737 or an A330 are unlikely to use the site as a brochure.

Most visitors to the site are, I would guess, the general public or journalists, although Boeing has an extra constituency in its investors. Whatever, the US site is superior all round. Airbus's has good features, including useful summary sections and a good history bit, but many weaknesses.

The strangest, common to many Continental sites, is the lack of languages other than English: it is as though the companies are proving their internationalism by abjuring the use of French, German or whatever.

The home page is uninteresting, and where there should be a search engine or some other navigational guide, we find a rather jerky tickertape message about the Air Show.

The press section is adequate, but does not include print-quality downloadable photos.

Add to this reams of turgid speeches and one area that declares "The June 1997 issue [of a magazine] is now available", and we find a site that needs serious attention.

Boeing's is a monster site: commercial aircraft take up only a fraction of it. It has a good newsy home page ("Flying Free Willy Keiko home on a C17 Globemaster", topical videos and a link to a Farnborough section) and good navigation.

Dropdown menus are a blessing on a huge site like this, though they only operate within each section (you can't get anywhere on the site from anywhere else). Journalists can register and get access to *Boeingmedia.com* which has more information – and pictures – than anyone could possibly want. The investors' section is adequate, though unadventurous.

Overall, Boeing's site builds the brand better and is more useful. Airbus needs to work out who the site is aimed at – journalists seem the most obvious constituency – and concentrate on serving them better.

Airbus www.airbus.com
Overall ***
Design ***
Navigation ***
Boeing www.boeing.com
Overall *****
Design ****
Navigation ****

The builders of the Trades Union Congress web site in the UK sound pleased with themselves. They were early on the Web, they explain, and the 1995 Congress was one of the first Net Events. Moreover, the current site features a "virtual building" where TUC staff can publish documents without any training.

They then make a strange admission: "This approach probably has some disadvantages for the user. The real advantage is the ease of use by those publishing the information."

Oh dear – this is easy fodder for those eager to denigrate the union movement. It's official: this site is built on that good Seventies principle: "The heck with the customers, as long as the workers are happy."

This site has masses of information, and dedicated union-followers wanting to track every speech and composite motion during next week's Congress will be able to do so without leaving home. But boy, will they get frustrated!

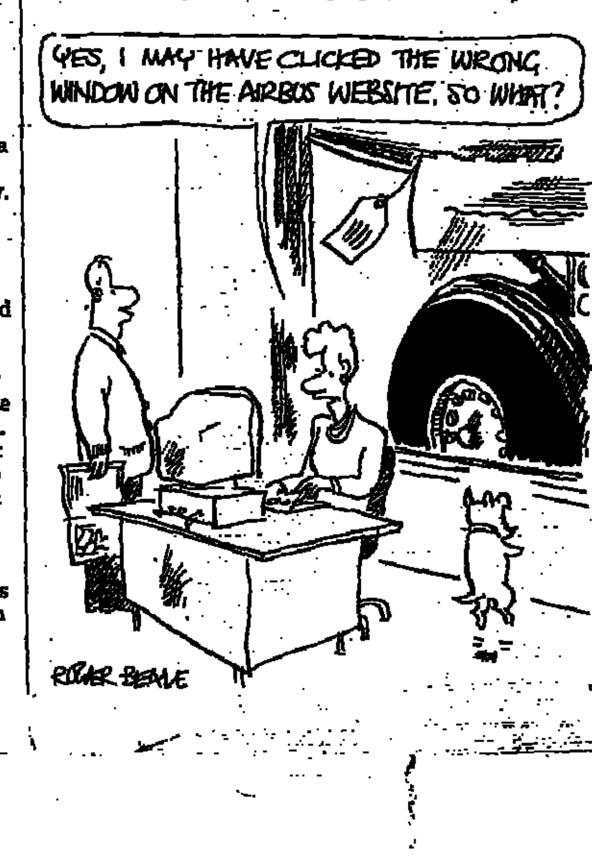
The home page, in dirty purple, has three separate navigation elements, which is a confusing start. One of them is the virtual building, which should be easy to get around because it follows a well-understood metaphor. Well, it isn't.

Why within the floors are some bits called corridors, and why is the "basement archive" sometimes, but not always, near the roof?

The democratic (ie. self-built) nature of the construction is evident in its quality, or rather lack of it. Vast amounts of turgid documentation, no attempt at clear summaries, text not lined up, great gaps in the middle of lines. Usable if you are really determined – bewildering for everyone else.

The concept of having a web site that can be updated by everyone in an organisation is admirable, democratic and cheap. But that is no excuse for producing a site that is ugly, difficult to navigate and as user-friendly as a camel.

www.tuc.org.uk
Overall **
Design *
Navigation **



A useful site for anglophones trying to track the turmoil in the Japanese markets. IBJ Securities has gathered a mass of information internally, and has also provided links to English-language sites that range from the Ministry of Finance to the Japan Times (latest Sumo results if you need to escape the gloom).

There is much to criticise in the site. Horrible colours, clunky navigation, a deeply tedious company information section. But for gathering all this useful information, and providing a brief summary of what we will find on them, IBJS should be thanked.

IBJ Securities www.ibjs.jp
Overall ****
Design **
Navigation **

David Bowen is editor of Net Profit newsletter (www.net-profit.co.uk; e-mail info@net-profit.co.uk)

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THE ARTS

Meltdown mania is too high a price to pay

Colin Southgate's drastic short-term measures at Covent Garden mean the drama will run and run, argues **Andrew Clark**

What if they gave a party and nobody came? In the light of Sir Colin Southgate's announcement on Wednesday, in effect dissolving the Royal Opera for at least the next year, the re-opening of Covent Garden in December 1999 may be more of a wake than a celebration. For the price of a splendid pile of bricks and mortar, the Royal Opera House has lost a company. An opera company means musicians and their audiences; it means a tradition built over 50 years, it means palpable spirit, of the kind that triumphed in *Don Carlos* last month at Edinburgh. That is what is being sacrificed in Covent Garden's meltdown mania.

One of the most revealing parts of Wednesday's announcement was the eagerness with which the board sought to pin the blame for the continuing mess on its predecessors – even though several members of the previous board, including Vivien Duffield, retain their positions at the Opera House. The losers are not just the artists and their public, but the taxpayer, who has ended up paying people not to perform.

In common with all other policy moves concerning the redevelopment, the decision to suspend operations has been taken too late and in desperation. But given the continuing crisis in public confidence and a hopeless balance sheet, it is difficult to see what else the board could do.

Meltdown is part of a public act of penance, of self-denial, in order to demonstrate to politicians and tabloid opinion-formers that the Royal Opera House has made up its mind to start afresh. Chris Smith, the culture secretary, has made vague pledges of increased subsidy if Covent Garden puts its house in order. Yes, more money – for fewer performances.

It seems incredible that, despite all the politically correct talk of "audience development", London will have no opera of international standard for a year, possibly longer. Thereafter, Southgate says the number of performances will be reduced to two-thirds of previous levels. This is just one aspect of his statement which begs more questions than it answers. He provides no figures, for example, to show that by stopping performances in January the board will be able to make serious inroads on the deficit.

Clearing the decks of personnel is the easy part. Depending on negotiations over the next month, many will be retained on a proportion of existing salaries, so that the opera house has the manpower available for the re-opening. The Royal Ballet should remain reasonably intact, thanks to a tour of south-east Asia in April and a Sadler's Wells season next July. The orchestra will be reduced by 16 to about 80 musicians, and can salvage some foreign touring from next year's plans. Chorus and backstage staff have no such consolation. In these circumstances, Bernard Haitink's position as music director looks untenable.

The biggest omission in Southgate's statement is its failure to address long-term concerns about the opera house's artistic identity and management structure

It seems increasingly likely that a proportion of staff will be "bought off" with a package that promises marginally increased pay in the re-opened house, in return for concessions on working practices: part-time contracts (35 weeks instead of the current 52), no holiday pay, no television or radio fees, no overtime, more flexible rehearsal times. Some of this makes sense: with new machinery backstage, the redeveloped theatre should be able to operate without a night crew, saving up to £4m a year.

The biggest omission in Southgate's statement is its failure to address long-term concerns about the opera house's artistic identity and management structure. Unable to attract a general director who could take overall responsibility, the board has now come up with the idea of appointing an executive director to handle day-to-day administration, alongside an artistic director who will put on the shows.

Who will be in charge? With the exception of the Netherlands Opera, which has no ballet troupe and no responsibility for running the Muziektheater, no leading opera company works on this principle – and even in Amsterdam, the relationship between Pierre Audi and Truze Lodder depends on personal chemistry. When the Frankfurt Opera tried the experiment in the early 1990s, the company nearly foundered – and an administrator ended up in charge.

What the Royal Opera House needs is someone who can give confidence to an organisation that has in effect been destroyed. You can't separate artistic and administrative responsibilities, because decisions can't be neatly separated into "artistic" and "non-artistic". Every artistic decision has administrative and financial implications, and vice versa – a point Mary Allen, the chief executive sacked by Covent Garden earlier this year, failed to understand. Dividing responsibilities gives the board an open invitation to interfere – as it did all too readily last year, with disastrous consequences.

The most mystifying part of Southgate's statement is its pledge to let the artistic and executive directors take responsibility "for setting up and managing the operative structure" for the new Royal Opera House. How can they have a free hand, if they inherit a set of agreements on working arrangements for the new house, to be rush-negotiated by October 26? These arrangements, made by the old team, will automatically tie the hands of the new.

A likely candidate for the post of executive director is Michael Kaiser of American Ballet Theatre. But it is hard to see how anyone, other than a cypher, will take on the job of artistic director, unless he or she has ultimate authority. The board's failure to attract a general director is an indictment of its current strategy, and the clearest indication that, far from drawing a curtain on its problems, the Royal Opera House is trapped in a drama which will run and run.

Purest Racine: Barbara Jefford with Diana Rigg, whose vowels are as handsomely sculpted as her face — Alastair Muir

Heroic power without courtly rigour

THEATRE

ALASTAIR MACAULAY

Phèdre
Albery Theatre, London WC2

In the new Almeida West End production of Racine's masterpiece *Phèdre*, the characters are wracked by massive emotion from first to last. Love and hate, loyalty and guilt, co-exist on the same pendulum. Every speech, every exit and entrance, is propelled by a helpless momentum. Each scene and each act become part of one large and fast whirlpool. The heroic power of Racine is vividly present, as are the formal elegance, the sonorous musicality, the controlled rhetoric. Ted Hughes's new version grasps the spirit of the original in a taut modern classicism. Everything falls on the eye and ear with splendour and passion. The production, directed by Jonathan Kent, is nearly marvellous.

Nearly, but not quite. Absent are the courtly rigour of Racine and the analytical iciness with which he presents these characters' inner fires. In the greatest Racine productions, one is often exceptionally aware of stillness.

About Diana Rigg, I have one simple problem: I never believe a word she says. Everything about her is, of course, impressive. The vowels are as handsomely sculpted as the face, the dark vocal tone seems to have been glaze-fired, the shoulders are as hard as boulders, everything is on a big scale. Phèdre is the latest in a rich line of tragic heroines (Euripides's Medea, Dryden's Cleopatra, Brecht's Mother Courage) she has played for Kent. But, even when seized by blackest emotion, she seems always conscious of the effect she is making. There is about her an element of camp, of calculated veneer, which robs her of sincerity. She is too busy being a Great Actress to be a great actress. Nor has she any jot of vulnerability.

As Phèdre, exemplifying the drive of the whole production, she is actually at her best: compelling, noble, urgent. In the penultimate act, she touches on a perfect note of bleak irony when she coolly views her dilemma: "I cannot hide even in Hell – My father, Minos, is the judge of the dead." Elsewhere, admittedly, her to-and-fro activity is relentless; even samey. And her heroics, for all their power, remain external. An armour-clad performance.

The finest performance is Barbara Jefford's as her maid Oenone. Burnished words pour from her as she stands immobile: purest Racine. Julian Glover's Theseus, a little muzzy in consonants and bluff in manner, has sincerity without style. Toby Stephens's Hippolyte, fearfully handsome and woefully unfocused, has style without sincerity. David Bradley does wonders with the hard role of Théramène.

Thanks largely to the new Hughes version, you hang on the play throughout. His verse seems as if forged from rhythmic fragments of Racine: iambs and anapaests surge through it, Racine's rhyme-endings are replaced often by striking alliteration elsewhere, and his imagery and severe wit are a strong match for the original. He makes, however, one mistake: Medea was by no means Phèdre's sister. The actors makes some other mistakes: the name "Theseus" should have two syllables and sound as if rhyming with "induce"; "Pirothous", however, should certainly not sound as if it rhymed with "mouse"; Theseus thinks his son has assailed not his wife's "virginity" but her "fidelity".

Maria Björnson's elegantly gorgeous designs give us a triple-tiered experience: Racine's era, with its view of ancient Greece, as seen through modern eyes. Venus, the play's presiding goddess, is twice shown: on one wall, as Bronzino's nude voluptuary being erotically toyed with by her son Cupid, on another wall, as a Cretan statue, leaning forward over the action like a hawk. The brass fanfares of Jonathan Dove's music, and the rich textures of Mark Henderson's lighting both make superb contributions. Through the stage windows, we almost continually hear the sound of the beating sea; but, at one point, it is replaced by human cries. Inside the palace, Phèdre and Oenone hear these cries and are stopped in their tracks.

Sponsored by AT&T. Albery Theatre, London WC2.

POP MANIC STREET PREACHERS

Furies are alive and smarting

The Manic Street Preachers are a salutary antidote to the unthinking hedonism which occasionally threatens to dominate pop sensibility. Tinged by a personal tragedy – the disappearance of guitarist/lyricist Richey Edwards three years ago – and genetically predisposed to Celtic gloom-mongering, they have never been the easiest of bands to digest.

The Manics' Welshness is pushed well forward in the mix of *This Is My Truth Tell Me Yours* (Epic). There is that challenging title for a start; a quote from Aneurin Bevan, hardly an iconic reference point for Britain's conspicuously unpolitical pop dandies. Then there is the R.S. Thomas extract on the sleeve, beginning: "The furies are at home in the mirror; it is their address". Ominous, or what?

The furies, Welsh or otherwise, are alive and smarting on *This Is My Truth*. A lyrically bleak and almost painfully earnest work, only Mike Hedges' plump production values offer any compromise to the easy listener. The mood is set on the album's opener, "The Everlasting", a tender elegy full of melancholy chord changes and wistful asides. Most bands would be happy to end a work on such an equivocal note; the Manics instead use it to establish their provocative agenda.

The dramatic opener is immediately followed by "If You Tolerate This Your Children Will Be Next" ("The future teaches you to be alone, the present to be afraid"), the indignation of which is somewhat belied by the catchiness of the hook. This is a recurrent source of tension on the album, and not always effective. Too often, the whole affair is washed down with sweeping strings and repetitions of the chorus; the effect is slightly pompous, when a stripped down, more acerbic arrangement might have served better.

"Ready For Drowning" is a grim exploration of the state of their nation: repeated exhortations that "we're not ready for drowning" are abruptly climaxed by sullen surrender: "We are not waving, we *are* drowning." There is more helpless renunciation on "My Little Empire". A warm cello arrangement and subtle melodic line promise a shaft of hopefulness, until Nicky Wire's scathing words kick in: "All of my sins are attempts to fill the voids, all of my voids they are filled with sin."

There is an unsmiling relentlessness about it all which is hard to take. Musically too, although there are interesting moments – the accordion and picked guitar interplay of "Born A Girl", the weighty crescendos of "Be Natural" – there is also a structural saminess about the songs which begins to irritate midway through the album.

Pehraps it is because fatigue has set in, but the major disappointments of *This Is My Truth* are reserved for the end. "Nobody Loved You" piles on the near-heavy metal power chords to bombastic, but rather shallow, effect, although it boasts the rare witty couplet: "You keep giving me your free air miles, what would I give just for one of your smiles".

There is an unsmiling relentlessness about it all which is hard to take

And then, finally, there is the deeply disappointing "S.Y.M.M.", which stands for "South Yorkshire Mass Murderer" and is the group's attempt to deal with the Hillsborough football tragedy. The coyness of the initialled title is matched for crassness by the ineptitude of the lyric: "The subtext of this song, I've thought about it for so long, but it's really not the sort of thing that people want to hear us sing."

This is desperate stuff, even for a band which treads a refreshing path through the casual cynicism which makes so much pop music massively unimportant. We are just beginning to acquire sufficient emotional distance from the events at Hillsborough to require thoughtful artistic responses, but this does not come close to fulfilling that demand.

Peter Aspden

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: Carlson-Humphrey-Tharp. Programme of works by the three choreographers. Includes Carolyn Carlson's Slow, heavy and blue and Twyla Tharp's In the Upper Room; Sep 11, 13, 14, 15

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen. Cast includes Heinz Kruse, Jeannine Altmeyer and Henk Smit; Sep 12, 16

BASLE

EXHIBITION
Kunstmuseum
Tel: 41-61-271 0828
www.kunstmuseumbasel.ch
A House for Cubism: the Raoul La Roche Collection. Display of works collected by the Swiss banker and given to the museum in the 1950s and 1960s. Includes works by Picasso, Braque, Léger, Gris, Le Corbusier and Ozenfant; to Oct 11

BEIJING

OPERA
The Forbidden City
www.turandot-on-site.com
Turandot: by Puccini. Conducted by Zubin Mehta in a staging by Zhang Yimou. With the Maggio Musicale Fiorentino; Sep 11, 12, 13

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 16

FRANKFURT

CONCERTS
Alte Oper
Tel: 49-69-134 0400
● Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Salonen and Bruckner; Sep 12
● Radio Symphony Orchestra Frankfurt: conducted by Leonard Slatkin in works by Enescu, Barber and Schumann. With soprano Linda Hohenfeld; Sep 11

OPERA
Oper Frankfurt
Tel: 49-69-21237 999
www.frankfurt-business.de/oper
● La Périchole: by Offenbach. Conducted by Catherine Rückwardt in a staging by Peter Eschberg, with designs by Peter Pabst; Sep 12
● La Traviata: by Verdi. In a staging by Axel Corti; Sep 11, 13

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in Beethoven's Missa Solemnis. With the Arnold Schoenberg Choir; Sep 11
● The Last Night of the Proms: Andrew Davis conducts the BBC Symphony Orchestra, Chorus and Singers in a programme including the European premiere of Hugh Wood's Variations for Orchestra, works by Gershwin, Thomas Adès and Parry. With baritone Thomas Hampson and piano soloist Jean-Yves Thibaudet; Sep 12

EXHIBITION
British Museum
Tel: 44-171-636 1555
Persian and Indian Manuscripts and Paintings: the Royal Asiatic Society celebrates its 175th anniversary with an exhibition of objects rarely seen by the public. The highlight is the Book of Kings made for Muhammad Juki, one of the great Persian manuscripts of the 15th century; to Sep 13

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 11, 16
● Rusalka: by Dvořák. Conducted by Richard Hickox in a revival of David Pountney's production, directed by Lynn Binstock. The title role is sung by Susan Patterson; Sep 12

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 11, 13, 16
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël and designed by Hubert Monloup. The title role is sung by Ramón Vargas; Sep 12, 15

LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-226 4400
www.LucerneMusic.ch/
● Chicago Symphony Orchestra: Daniel Barenboim conducts works by Strauss, Berg and Tchaikovsky; Sep 11
● Chicago Symphony Orchestra: Daniel Barenboim conducts works by Schoenberg, Wagner and Beethoven; Sep 12
● Vienna Philharmonic Orchestra: conducted by Lorin Maazel in works by Mozart and Bruckner; Sep 14

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner and Mahler; Sep 14
● Munich Philharmonic Orchestra: conducted by Rafael Frühbeck de Burgos in a programme inlcuding works by Manuel de Falla, Rimski/Korsakov and Ravel; Sep 11

NEW YORK

CONCERT
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: Kurt Masur conducts works by Beethoven, in the season's opening concert. With violin soloist Isaac Stern; Sep 16

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Letters in Gold: Ottoman Calligraphy from the Sakip Sabanci Collection, Istanbul. 70 objects ranging from the 15th to the 20th century. Includes manuscripts, panels and scrolls; from Sep 11 to Dec 13
● The Nature of Islamic Ornament, Part II: Vegetal Patterns. Second in a four-part series on Islamic ornament from the 9th to the 18th century. Includes rare brocades and carpets; to Jan 10

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Tosca: by Puccini. New production by Mark Lamos, conducted by George Manahan Sep 13, 15

SEATTLE

CONCERTS
Benaroya Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
● Seattle Symphony Orchestra: Opening Night Gala Concert. Gerard Schwarz conducts the first concert in the new hall. Programme includes the world premiere of a specially commissioned work by David Diamond, and works by Webern, Stravinsky and Wagner. With soprano Jessye Norman; Sep 12
● Kyung-Wha Chung: recital by the violinist of works by Schubert, Bartók and Schumann. Accompanied by Itamar Golan; Sep 14

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
Yomiuri Nippon Symphony Orchestra: conducted by Gilbert Varga in works by Ravel, Bartok and Tchaikovsky; Sep 11

VIENNA

CONCERTS
Musikverein
Tel: 43-1-5058 6810
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schoenberg and Mahler; Sep 15
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 16

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

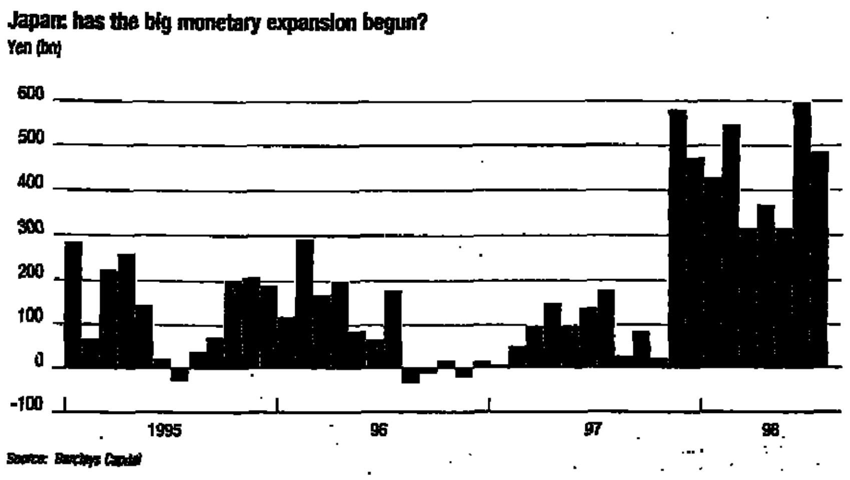
● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Japan's double or quits

Gillian Tett asks whether Tokyo has begun its long-feared monetary expansion and considers the implication

Japan: has the big monetary expansion begun?



Source: Barclays Capital

Ever since the Asia crisis began, it has been clear that Japan is the key to reversing it. And ever since Japan's ailing economy began not responding to an old-fashioned fiscal stimulus this year, it has been clear that, *in extremis*, the country might go for an unprecedented monetary expansion, letting the yen go hang.

On Wednesday night, almost unwatched by the markets, the Bank of Japan announced that it had decided to ease monetary policy for the first time in three years, pushing interest rates down and money supply up, in an effort to stave off a deflationary cycle. The yen tumbled Y4 against the dollar before recovering.

Has Japan begun that long-feared monetary expansion? If so, it is a double or quits decision. It might well help the domestic economy. It also shows that pressure is building up for a co-ordinated monetary loosening by the world's big central banks (yesterday, the Bank of England, while leaving rates unchanged, also said it would consider cutting rates if the world economy worsened).

But unless the US also cuts rates, Japan's decision would risk setting off a chain reaction of devaluations across Asia and Latin America, producing another round of global financial panic. The risk is real: emerging markets fell sharply yesterday, and a big monetary easing in Japan would increase the possibility of debt default in any country hit by a new wave of devaluation. If that were to happen, and if, say, a big western investment bank were to fall victim, then it could induce a crash in jittery global stockmarkets. As one worried trader put it yesterday: "The big question now is whether the Bank [of Japan] is going for broke."

The answer: not yet. By the standards of other central banks, Wednesday's announcement was complicated and timid. The official discount rate has been left unchanged at the record low level of 0.5 per cent. Instead, what the Bank has promised to do is to provide extensive liquidity to "guide down" the overnight call rate – which is the important one in Japan – from the current levels of slightly under 0.5 per cent to around 0.25 per cent. Although this rate is set by the markets, the Bank can influence it by injecting more – or less – cash each day.

The cut itself will probably have only a limited direct effect, say economists. But the Bank's statement also included an intriguing pledge. For "irrespective of the guideline for the call rate," the Bank promised that it would "provide more ample funds, if judged necessary, to maintain the stability of the financial markets." In central bank-speak, this implies that the bank could inject more liquidity into the markets without changing its interest rate target.

This does not automatically indicate a new policy. After all, the Bank has been pumping extensive amounts of liquidity into the market since last November to calm the financial crisis by ensuring that weak banks could still borrow funds (see graph). This has resulted in a dizzying expansion of the Bank's balance sheet and left it acting as a key financial intermediary in the markets. But it has not yet produced a real monetary reflation – the kind that might boost consumer spending and drive up prices.

Most of the expansion reflects operations which are the equivalent to short-term recyling of funds between banks. Bank reserves and bank notes – arguably, the best indications of real monetary growth – have been growing at a fairly stable level of around 10 per cent.

The key question now is whether the Bank would – or indeed could – now try to expand the level of "real money".

With interest rates now almost zero, monetary policy has now moved onto a new stage. To loosen monetary policy, the Bank needs to aggressively expand the money supply – probably through the purchase of government, corporate or bank bonds.

'The big question now is whether the Bank of Japan is going for broke'

"If you are a central bank and you cut rates to zero and people still won't borrow money, then what else can you do?" argues William Campbell of JP Morgan in Tokyo. "You have to try and buy something with cash, and the only thing that the Bank can buy is bonds."

Might the Bank do this? Thus far, there has been little sign of it. One reason is that the Bank is sceptical whether even "free money" would provide an effective way to boost growth, given that consumers and companies appear reluctant to borrow at any cost, even zero. "From a historical perspective we are in a liquidity trap," one senior government official recently said.

Furthermore, until now the Bank has remained unconvinced by the arguments – being advanced by some western economists – that inflation will be eventually necessary to solve Japan's ballooning budget deficit. Pursuing a policy of deliberately stoking inflation, in other words, still seems a step too far.

But in recent weeks a new debate within the Bank has started, fuelled by the lively role that is being played by the policy board that was formed when the Bank gained independence over monetary policy on April 1. Some Bank watchers suspect that this could possibly produce a policy change further down the road. "I think the Bank is moving towards monetisation," argues Tetsufumi Yamakawa, economist at Goldman Sachs. "It is not there yet, but (Wednesday's decision) is one step in that direction."

This suspicion partly reflects the dire state of the economy and, above all, a growing concern that fiscal policy alone will not rapidly deliver growth unless it is accompanied by an additional boost from a weaker yen. There are fears, for example, that the trillion yen tax cuts announced by the government may be saved, rather than spent. There is also concern that the impact of public spending projects has dropped, not least because cash-strapped local governments are apt to spend central bank subsidies on repaying debts, rather than starting projects.

But the more pressing issue is the financial sector. As politicians have squabbled over banking reform in recent months, the Bank's concern about a fresh financial crisis has risen. Pumping "real" money into the system to ensure that weak banks can raise funds thus appears increasingly tempting.

"Japan has clearly entered its darkest hour – a final rate cut was always seen as a doomsday response," says Mr Campbell. "What I am worried about is that this is a pre-emptive move against another bank failure." In other words, the real nightmare is the fragile state of the banking system, and, in particular, the possibility that there could be a run on the banks.

Thus far, the Bank denies that such a financial crisis exists. Without one, most economists still suspect that the Bank will stay its hand. Indeed, the creation of the policy board means that it may take a crisis to create the necessary consensus among the nine members. "The bank will wait for a crisis to hit before it starts monetising the debt," says Brian Rose, economist at Warburg Dillon Read.

But with the September 30 fiscal half-year point looming, the pressures on the banking system are building again. A fresh bout of turbulence in the international equity markets remains another looming threat. Though some Japanese officials are now hoping that the US could be tempted to cut its own interest rates in response to the Japanese move to calm global markets, Washington has not yet delivered any promises. If the US does not act and if the Asian crisis deepens, Japan may let the yen slide – whatever the outside world thinks.

LETTERS TO THE EDITOR

Global economy needs stabilising influence of a world central bank

From Mr David P. Faram.

Sir, The global currency crisis now threatening the world economic order will surely plunge major regions of the world into political instability, or even chaos, if not checked by swift action at the highest levels of government.

The International Monetary Fund has done all it can within its limited powers to restructure the ailing economies of the world, but it has no mechanism for dealing with the huge currency flows that determine international exchange rates.

A powerful world central bank should be set up to monitor large currency movements, act as global regulator, and re-channel currency reserves to those economies most in need; with the ability to manage an orderly decline in exchange rates where perceived necessary to adjust for imbalances in world trading patterns.

A shift towards global management of currencies and exchange rates will lead to far greater financial stability within the world economy, and the advent of the euro in less than four months' time is only part of this trend.

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Regulator would be bad for UK football

From Mr Simon Bishop.

Sir, BSkyB's bid for Manchester United Football Club does indeed give rise to potential competition concerns. However, while there is no argument with the need to appraise these, the suggestion in your leader "Off side" (September 8) that football might require a regulator is perplexing. While football to many, me included, is as important as trains or electricity, this does not constitute grounds for external government regulation. Trains and electricity are regulated for good reasons: both industries contain elements of natural monopoly. Can the same really be said of football?

Indeed, many of the current concerns in the game stem not from a lack of external regulation but rather from direct or indirect government intervention. For example, a significant factor underlying the substantial increase in ticket prices is the government's requirement for football stadia to be all-seater, rather than because of anti-competitive or abusive behaviour on the clubs' part.

BSkyB's proposed takeover can also be seen as a reaction to interference in the way in which the Premier League is allowed to sell its rights. Currently, the television rights to the Premier League are sold collectively. To some, this smacks of a cartel arrangement that operates to the detriment of consumers. But such a view fails to recognise a number of important features of football. The central marketing mechanism currently in place is sensible for at least two reasons, including permitting some revenue sharing between clubs. Several studies have shown that uncertainty over match outcomes is important in generating viewer interest. The revenue sharing arrangements that central marketing allows goes some way to maintaining a degree of financial, and hence playing, parity and therefore ultimately the long-run viability of the game.

However, these positive benefits are under threat from the restrictive trades practices court's investigation into the Premier League's central marketing arrangements. If the Office of Fair Trading's actions against the Premier League is successful, we can expect to see a widening disparity between clubs and little or no benefit for fans.

Football, like most industries, requires less government interference; not more.

Simon Bishop,
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A surprising lack of commitment to forecasting

From Mr Ben Niblett.

Sir, I was at the annual general meeting of GEC last Friday and was very surprised to hear Lord Prior, its chairman, answer a question about the increasing proportion of military business in GEC's portfolio by saying that it was impossible for anyone to say what might happen in five years' time. He also said that it was foolish to forecast even six months ahead. Is this how multinationals really work?

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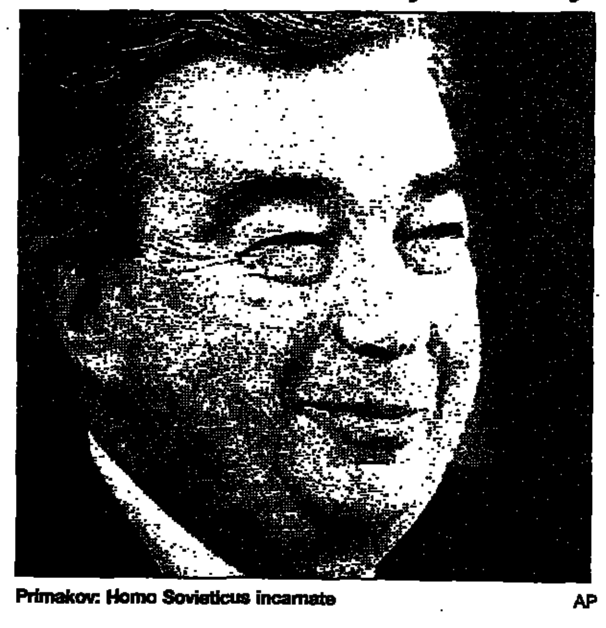
In with the old

Yeltsin's latest choice for PM has the credentials to bridge the factions, say **John Thornhill** and **Arkady Ostrovsky**



Primakov: Homo Sovieticus incarnate AP

Having plumped unsuccessfully for youth in April by chosing a 35-year-old for prime minister, Boris Yeltsin has now nominated a man who is one of the few active politicians in Moscow older than the president himself.

The 68-year-old Yevgeny Maximovich Primakov is *Homo Sovieticus* incarnate: he is a former head of Russia's infamous spy service, a former candidate member of the Politburo, and was a member of the Soviet Communist party for 32 years.

Mr Primakov's nomination confirms how much Mr Yeltsin is now in full-scale retreat. Mr Yeltsin's one political touchstone has been that he has never backed down in the face of overt pressure from his enemies. But the Russian Communist party was yesterday exultant that it had forced Mr Yeltsin to change his mind and run away from a direct confrontation with parliament. It clearly scents blood.

Victor Chernomyrdin, who withdrew his candidacy as prime minister after being twice rejected by parliament, warned of a "creeping coup" by the communists.

"The leftist opposition is suffering from an acute revolutionary syndrome and is counting on quickly dismantling the existing political and constitutional order, on removing the president," he warned.

Mr Yeltsin's nomination of Mr Primakov may yet be seen as the last desperate gamble of a failing president to shore up the credibility of his regime by placating his enemies and to ensure he leaves office with his dignity intact.

There is no doubt, though, that Mr Primakov is a supremely able figure who commands respect across Russia's political spectrum. The Russian Communist party admires him for his ability to project Russian influence abroad and continually twist Uncle Sam's coat-tails.

Under his direction, Russian foreign policy has always been hawkish in rhetoric – however mawkish it may be in practice. Mr Primakov's frequent forays into Middle Eastern politics and his close contacts with the Iraqi leader Saddam Hussein, whom Mr Primakov has known since 1969 during his days as a Pravda correspondent, have been much appreciated by those Russians opposed to the development of a uni-polar world. But it has also turned him into a bogey-man among Republican congressmen in Washington.

In Moscow, Mr Primakov, a member of the politburo during the Mikhail Gorbachev era in the mid-1980s, appeals to some liberals, who respect him for preserving the better instincts of the old regime. Grigory Yavlinsky, the leader of the liberal Yabloko bloc, was Mr Primakov's loudest public sponsor in parliament this week. Mr Yavlinsky said parliament needed to confirm a prime minister who did not belong to any political party and would not be sacked within three weeks.

"He should have sufficient political authority, be known in the world and lack any desire to run for president," Mr Yavlinsky said. "There is such a person. It is Yevgeny Maximovich Primakov."

'He should have political authority, be known in the world and lack any desire to run for president. There is such a person. It is Primakov'

Mr Primakov certainly commands wary respect abroad and has, on occasion, formed part of an unlikely comedy duo with Madeleine Albright, the US secretary of state. On the final evening of an Asean meeting in July, Mr Primakov and Mrs Albright wowed delegates by performing their own version of the American musical, West Side Story.

"America's nobody's enemy," chirped Mrs Albright.

"So why do you practise hegemony?" Mr Primakov sang back.

But behind Mr Primakov's well-crafted bonhomie lurks a calculating brain, as befits a man who has excelled in all of the country's foreign policy institutions. He must know that what will now make or break his time as prime minister – assuming, as seems likely, that he is approved by parliament – will be how his government deals with Russia's deepening economic problems. Mr Primakov's greatest vulnerability is also his weakest area of expertise.

There are, of course, many voices clamouring to set his government's economic agenda. The Communists believe Yuri Maslyukov, the former head of Gosplan, the Soviet planning agency, will be appointed to a senior economic position. Market reformers, and most foreign investors, hope that Boris Fyodorov, the acting deputy prime minister, will be allowed to pursue tough monetary reforms based on the "Argentine model" of recovery.

The Yabloko faction also believes it will have some influence in shaping a more social-democratic agenda. Vladimir Lukin, a senior Yabloko deputy, suggested Mr Primakov was the best candidate to take over as prime minister and would pursue a more "civilised and lawful" form of market reforms.

"Primakov is a much more valuable man than some of the most favourite sons of the International Monetary Fund," he said.

"Primakov has a chance to create a consensus in the political elite, the parliament, and in society, which is a necessary condition for reforms."

On one rare occasion, Mr Primakov sketched out his own vision of economic reform. In a speech in London in June, he condemned the mistakes that Russia had made in trying to build a market economy – expressing sentiments that jarred with the pro-reform rhetoric then emanating from the government of Sergei Kiriyenko, the young prime minister who was sacked in August.

Criticising the over-tight monetary policies advocated by the IMF, Mr Primakov said Russia had to put more emphasis on creating the foundations for investment in the economy. "We did not pay enough attention to economic growth because we were focused on macro-economic financial stability at the request of the IMF," he said.

Mr Primakov pointed to President Franklin Roosevelt's New Deal in 1930s America as an example of how it was possible to rewrite the social contract between government and the people even in the bleakest of times.

It is a worthy long-term goal, no matter how nightmarish the immediate challenge may be.

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Mr Primakov's challenge

The nomination of Yevgeny Primakov to be Russian prime minister should at last end the vacuum of power in Moscow. Whether he can put together a government capable of pulling the country out of its political and economic crisis is another matter.

The ultimate survivor from the Soviet era, closely linked throughout his career to the KGB and its successor intelligence agencies, Mr Primakov can claim the remarkable feat of support from both Grigory Yavlinsky, leader of the liberal Yabloko group, and Gennady Zyuganov of the Communist party. He is the only senior Gorbachev man to have survived in Boris Yeltsin's government.

He may not be very popular in Washington, because of close ties with Saddam Hussein going back to his past as a top Middle East expert. But as foreign minister in recent years he has been popular at home as someone who stood up for Russia, for example in attacking the expansion of Nato.

The most important thing, however, is putting together a new government, and then drawing up an emergency policy to stabilise the rouble. Mr Primakov says he will pursue economic reform, although he has criticised the last government – and the International Monetary Fund – for excessively strict monetary policy. But he may have to make concessions to the Duma to ensure his approval as prime minister. There is a majority there for a return to old measures of the command economy, such as price controls and protection for industry. Those would be retrograde steps.

If he brings Yuri Maslyukov into a senior economic position, as the Communists want, it would mean a return to the past. He was once head of Gosplan, the state planning committee, and seems to have learned little of what makes a market economy tick since he left it. But if Mr Primakov puts Grigory Yavlinsky in charge of economic reform, western investors could rest more easily. He would pursue something much closer to a social democratic agenda. Moreover, both Mr Yavlinsky and Mr Maslyukov have said they would like to curb the powers of the financial barons who now control so much of the Russian economy.

If Mr Primakov is to please both factions, he will have to perform an extraordinary balancing act. His career suggests he may be capable of it. His intelligence connections may help to control the financial barons and regional governors who rival the government's authority. He is also a man without pretensions to succeed Mr Yeltsin, which means he is not a threat to any of the other contenders. But there is no evidence yet to suggest that he has the vision to get the Russian economy out of its hole.

Desperate times

Weary investors dismissed the Bank of Japan's 0.25 per cent interest rate cut on Wednesday as an act of desperation. But the Japanese authorities could prove their critics wrong if this is the beginning of a strategy to pull their economy out of deflation.

Although it may appear that the rate cut was prompted by the failing economy, it was more likely to have been aimed at the banking system. Frustrated that banking reform has been held up yet again in the Diet, the BoJ took the only action it could to ease the significant liquidity problems now facing many of Japan's weaker banks.

The macroeconomic impact of the interest rate cut will be small. If rates of 0.5 per cent do not induce borrowing, a rate of 0.25 per cent will do no better.

It looks like a desperate move, and that is how the markets interpreted it. But there is just a chance that it might be the start of a new strategy. Hints being dropped by Japanese officials suggest that they are considering a shift to a policy of large-scale monetary expansion, via Bank of Japan purchases of financial assets held in the private sector.

Japan is caught in a deflationary spiral, where insufficient demand has led to falling prices, and falling prices are discouraging spending. A serious monetary expansion should create the expectation of inflation, and spur consumers to get their yen out from under their mattresses again. The Bank of Japan could even introduce a money supply or inflation target to try to change expectations.

This policy would help increase corporate and banking sector liquidity, improving the chances of a recovery in lending, and could have the useful side-effect of reducing the government's debt burden if the Bank of Japan buys up government bonds.

The rate cut has already sent the yen down sharply, and a policy of monetary expansion would send it sliding further. Yen weakness would provide Japan with a further expansionary boost. But it risks triggering more regional devaluations. Set against this, if Japan can pull itself out of recession, it could pull the Asian economies out with it.

It would be a risky policy. But given the severity of Japan's economic situation, it could be the best hope. Combined with a further loosening of fiscal policy, and, crucially, with real progress in sorting out the financial sector and in other structural reforms, it might just have a chance of putting Japan back onto a reasonable growth path.

Alas, even this imperfect policy combination is unlikely given Japan's political deadlock. It remains more probable that the world's second-largest economy will continue to suffer the devastating effects of delay and indecision.

Banking turn

British trade union leaders seemed to be shouting into the wind for a cut in interest rates to avert the danger of recession. Yesterday's Delphic statement by the Bank's monetary policy committee might suggest that it heard their cries and is prepered to respond. Has it, and should it?

Firstly, it is clear that the MPC has been listening to the message of a series of increasingly gloomy surveys. Yesterday's figures from the Confederation of British Industry on retailing confirmed recent evidence that the economy is slowing down – possibly quite sharply.

The Bank's statement focused on the further threat to the world economy from financial turmoil. The impact for the UK has been offset only slightly by the 5 per cent fall in sterling from its April peak. Since the Bank's August Inflation Report, many independent economists have revised down their forecasts for the UK economy. Goldman Sachs, the investment bank, said yesterday that it expects growth to come almost to a standstill by next summer, with the threat of outright recession if the financial crisis worsened and equities collapsed.

Similar thoughts, no doubt, lie behind the MPC's two-sided statement yesterday. It said its present interest rate of 7.5 per cent was needed to meet its 2.5 per cent inflation target. But, echoing Alan Greenspan, chairman of the US Federal Reserve, it also said it was anxious about a deteriorating world outlook.

This was a pretty clear signal that the next move will be down. But when? If it hangs on too long it could help to cause a much deeper recession than is needed to control inflation. If it eases too fast, it might fail in its primary duty. So should it now balance concern for jobs against inflation?

Formally it is not allowed to do this, but yesterday's statement was a reminder that, as recession looms, the Bank's inflation objective can pull two ways. Just as it must moderate growth on the upswing to prevent inflation from exceeding 2.5 per cent, so it must stimulate the economy as growth slows to stop inflation undershooting.

This gives it less flexibility than trade unions would like, because unemployment must now be allowed to rise – perhaps by 500,000 – to bring the economy back to a non-inflationary path. To achieve this the Bank would need to lower rates very cautiously, until it is convinced that the domestic economy and private sector wages are responding to the treatment.

It will require more than fine judgment: the Bank must find the persuasive power to carry public opinion through what may prove to be a long, dark tunnel.

Clinton boxed in

The president's hour of judgment is at hand. Gerard Baker considers the significance of the Starr report and the defensive options that still remain to the White House

Even the most predictable and anticipated of political events can have a dramatic resonance that leaves a nation momentarily in shock.

So it was that the long-awaited 445-page report of Kenneth Starr, the independent prosecutor investigating allegations of criminal wrongdoing by President Bill Clinton, landed on Capitol Hill this week with a thud that is still reverberating around the US.

Ever since the first revelations almost eight months ago of Mr Clinton's relationship with Monica Lewinsky and his alleged efforts to cover it up, it has seemed inevitable that Mr Starr would complete his investigation with what amounts to a recommendation that Mr Clinton be impeached.

But the sudden realisation of the historical significance of the moment seemed to leave most of Washington shaken and, for once, genuinely sombre.

"Next to declaring war, this is probably the most important thing we do," said Richard Gephardt, the leader of the Democrats in the House of Representatives. "It's a lousy job. But somebody's got to do it," said Henry Hyde, the chairman of the House Judiciary committee who will lead the first phase of what are now virtually inevitable impeachment proceedings.

With his judgment hour at hand, Mr Clinton is about to suffer the ignominy of becoming only the third president in the 222-year history of the American republic to face the formal process of impeachment (Andrew Johnson and Richard Nixon were the others). Within days Mr Hyde and his colleagues will go through the charges in the Starr report and determine whether they constitute the "high crimes and misdemeanors" specified in the constitution as sufficient for impeachment. If so, the House of Representatives must decide by a simple majority whether formally to impeach – that is, to charge – the president. If the answer is yes, he will stand trial in the Senate, where a two-thirds majority is needed to find him guilty.

Perhaps curiously for a matter of such magnitude, the outcome will depend on the same factors that determine any ordinary adversarial trial – the strength of the accusations in Mr Starr's report, and the countervailing strength of Mr Clinton's defence.

But unlike any ordinary trial, this is an intrinsically political process. While Republicans and Democrats alike will do their best to consider the evidence dispassionately, the constitution deliberately left vague exactly what constitutes "high crimes and misdemeanors". Members of Congress must make a political judgment about what is in the national interest just as much as they must reach a verdict on the weight of criminal evidence. It is on this last crucial factor that the coming debate seems likely to turn.

The evidence, in 36 weighty cardboard boxes, for the moment sits under armed guard in a remote congressional storeroom, unseen by any member of congress. The main report itself is expected to be made public today. According to lawyers familiar with the details, it spares Mr Clinton nothing.

It is understood to say the president perjured himself when he testified in the Paula Jones sexual harassment case in January that he did not have sexual relations with Ms Lewinsky; that he again perjured himself before the criminal grand jury last month when he acknowledged a relationship but said his earlier remarks were legally accurate; that he orchestrated an obstruction of justice in the Paula Jones case by persuading Ms Lewinsky not to testify to a relationship and getting others to offer her inducements not to do so; that he

According to lawyers familiar with the details, the report spares Clinton nothing

tampered with witnesses in the Jones case, including possibly even members of his own staff, and that he abused his presidential power by using White House lawyers and other government officials to delay and obstruct the progress of Mr Starr's investigation.

"It is a devastating rap sheet" said one lawyer. "The question is: can he prove it?"

If he can, no one, not even Clinton loyalists, dispute that the president will be impeached or forced to resign. Such a litany of crimes will have successfully demonstrated that the president's wrongdoing was much more than "just about sex": it will describe a deeply corrupt man, bent on thwarting a legitimate legal process – the Jones case – a man whose motives and behaviour were every bit as criminal as those of Richard Nixon.

Unfortunately for the members of Congress who must decide Mr Clinton's fate, it seems unlikely to be that simple. Only the most ardent Clinton-haters believe Mr Starr's report does indeed have the decisive evidence that will prove to Congress, beyond a reasonable doubt, that the president is guilty of these acts.

Instead, the trial that now in effect begins will muddle around in the vast grey areas between the extremes of irrefutable proof on the one hand and lack of evidence on the other.

Republicans clearly believe the report will at a minimum prove perjury – that Mr Clinton lied under oath about sex. The president's lawyers dispute that, though his defence still seems to rest shakily on legal and verbal sophistry about what constitutes "sexual relations". And unfortunately for Mr Clinton, Mr Starr's report is said to detail in graphic and semi-pornographic terms all kinds of sexual acts that will expose to ridicule not just Mr Clinton's denials, but the person of the president himself.

The other charges will be debated hotly in congress. At this early stage it is uncertain whether the perjury charge will be enough to oust Mr Clinton.

But the critical point is that it will be at this point that the debate turns into a broader question of whether Mr Clinton's behaviour makes him unfit for office. This is where the political judgment of elected politicians – most of them facing re-election in

Clinton is now embarked on a grovel offensive around the world

seven weeks – will become the crucial deciding factor.

Republicans know that for impeachment to succeed, it must not be seen by the public as a partisan process. Republicans have a big enough majority to impeach Mr Clinton in the House, though not enough to convict him in the Senate, the final phase of the process. Even if they did have the votes, senior members of the party know that a significant number of Democrats must be persuaded of the case against the president if it is to succeed. And this is why the events of the past two weeks represent so much danger for Mr Clinton. The denunciation of his actions by a number of Democratic senators and congressmen has alarmed the White House. Many of them have been acting defensively under pressure in November's elections. Though opinion polls continue to show overall approval for Mr Clinton's performance as president – though there are signs that even that could be fading somewhat – Democrats are reporting growing grassroots disgust at Mr Clinton's personal behaviour.

They believe their surest way to neutralise that sentiment in their own electoral contests is to distance themselves from the president.

The White House fears that, whatever its specific legal force, the publication of the Starr report, with its salacious and seamy details, will force Democrats to take an even harder line – one that could push them ever closer to voting for impeachment.

As a result, Mr Clinton's strategy for defence has shifted dramatically in a month. A few weeks ago, he boldly pronounced in a televised address to the nation, that the whole thing was a plot by his political enemies to destroy him. The nature of his relationships, he said then, was a private matter – "nobody's business but ours [his family's]".

But the dismay with which this approach was greeted by Democrats has forced an abrupt U-turn. While he continues to maintain he broke no laws, Mr Clinton is now embarked on an apology offensive across the world. He asked for forgiveness from the American people while on holiday in Massachusetts. He apologised in Russia. In Ireland, he actually said "sorry" for the first time. Earlier this week he apologised – emotionally, it was said – to a group of House Democrats. On Wednesday he travelled to Florida to express remorse to Democratic party fund raisers. Yesterday he said sorry again to Senate Democrats and to his entire cabinet. It is a grovel offensive.

It is not yet clear whether this induced remorse is working. If, as seems possible, it fails to quell Democrats' nervousness after the publication of the Starr report, Mr Clinton will be forced to move quickly to what his advisers hope will ultimately make the difference – the so-called "institutional defence", that is. Taking his case to the country, Mr Clinton will say that a political case for impeachment has to rest on the firmest possible ground. It must be based on a perception of indisputably unacceptable behaviour of a president in office. While he will accept he did wrong, he will ask his fellow Democrats: "Are these the standards by which future presidents should be judged? Do voters really want to run the risk that US presidents should be routinely removed from office because of perceptions of improper behaviour, however justified those perceptions might be?"

If the legal case against him looks serious but not convincing, Mr Clinton's advisers believe Democrats will think hard and say, "No" in answer to those questions. But as the process accelerates they also know that each passing day will increase the chances that voters will instead say "Yes".

OBSERVER

Washington behind bus windows

There's nothing quite like an "inappropriate relationship" – that's a sex scandal to everyone but Bill Clinton – to fill the tour buses around Washington. The peccadilloes of US politicians have become big business, with the camcorder brigade insisting on being shown where the nation's greatest have been brought to their knees.

There are the Capitol steps where Rita Jenrette spontaneously celebrated an election victory with husband Representative John Jenrette, and the tidal basin where Representative Wilbur Mills was found with stripper girlfriend Fannie Foxe. Gary Hart's townhouse on Capitol Hill, where he canoodled with model Donna Rice, was on the schedule until the neighbours complained.

Sex aside, there's the Old Executive Office building, where Fawn Hall and Oliver North enjoyed late-night paper-shredding sessions together and, of course, the infamous Watergate complex, where a burglary brought down a president.

"For a long time Clinton was pretty boring," says one of the actors playing the protagonists. "But a quickie in the White House grabs everybody's attention."

Tour passengers have to watch their Ps and Qs, though. If there's any backchat, "Kenneth Starr" – resplendent in bush hat and trench coat – retorts with the ultimate Washington threat: "Consider yourself subpoenaed".

Antler alert

Oslo's new $850m international airport has suffered its share of problems – including the odd loose moose.

It seems that fencing off the 47-mile 210km/h rail link to Gardermoen airport, and spreading fox urine along the way, hasn't been enough to deter the determined deer, which have been gathering along the trackside deep in the forest.

Gardermoen NSB, part of the national rail company, has tried training the errant elk how to cross the line safely, coaxing them with food to the eight wildlife crossings.

Odd Einar Dorum, Norway's transport minister – one of the few in the world who doesn't have a driving licence – is taking a more robust view of avoiding moose mayhem on the tracks. "I would tell all the hunters to go there with their guns." And he adds a spot of advice for would-be hunters: "If you go by train, you won't hit one."

Anwar's ally

The fate of former Malaysian deputy premier Anwar Ibrahim – not just sacked but also accused of assorted crimes – hasn't turned the ruling party UMNO into a quivering bunch of yes men. At least, not yet.

Ahmad Zahid Hamidi, head of UMNO's youth wing, made all the right noises about how prime minister Mahathir Mohamad had every right to sack his deputy, but has since stood at Anwar's side to show his support to his ally in reform. There's growing pressure from party loyalists for his resignation, but he cheerfully pointed out yesterday that, under the party's constitution, only the party president – Mahathir – can sack him.

Given the ease with which Mahathir expelled Anwar from the party, dispensing with Ahmad Zahid – and even throwing a string of legal charges at him – wouldn't be hard.

But Mahathir has so far held fire. Maybe the growing number of supporters showing up nightly to hear Anwar preach reform on his front lawn suggests that another sacking might just drive more alienated Malaysians straight into the arms of his main political opponent.

Tamagotcha

Roel Pieper, the expensive Dutch-born computer specialist who took over as executive vice-president of Philips Electronics earlier this year, is suffering something of a culture shock. After years with frenetic but focused US companies like AT&T's Unix System Laboratories and Tandem Computers, Philips seemed a touch staid.

But it's not all straight faces and profit warnings. Yesterday Pieper told a computer bunfight in Portugal about a new gizmo that's wowing them in the nightclubs of Tokyo. The button-sized device is pinned to the clothing and programmed with the owner's likes and dislikes – including tastes in partners.

It lights up like a glow-worm on heat when a like-minded individual comes into range. Very Japanese – but what will the stolid burghers of Brabant make of it?

Roofing slate

The US Treasury isn't having much luck repairing damage anywhere in the world – even in its own stately Washington headquarters at 1500 Pennsylvania Avenue.

After a fire caused part of the roof to fall in two years ago, Congress approved enough funds to patch and mend the old place – built between 1836 and 1869 – but not enough to restore the full grandeur.

Nine former Treasury secretaries are fundraising to put the offices back to the way they were. Having failed to stop the roof falling in on the world's economies, a Greek revival-style roof looks like safer territory.

The Financial Times

50 years ago

Plan To Save The Franc
Paris, Sept 10. M. Henri Queuille, France's Radical Premier-designate, who was late in appearing before the National Assembly to-night to seek approval of his Premiership, is considered to be assured of a comfortable majority. M. Queuille called for "discipline and sacrifice" to save the franc. "I do not ask you to show your personal sympathy, but for an engagement to exercise joint action for the salvation of the nation," he added. "France is passing through a grave crisis. The essential cause of this crisis is political disorder, which cannot go on without risk to the Republican regime."

U.S. Taxation
Washington, Sept. 10. Tax collections by Federal, State and Local Governments amounted to an average of $344 and 46 cents for each of the 1444,000,000 population of the United States during the year ended June 1947. The Federal Government received the largest share, according to statistics compiled by the Census Bureau. Total tax collections were nearly a fourth of the national income for the year.

FINANCIAL TIMES
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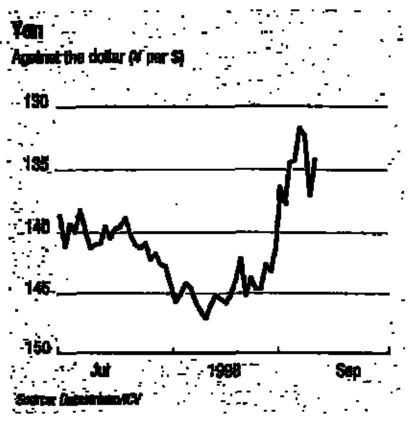
THE LEX COLUMN

A sorry state

Suddenly, sorry seems a very easy word. But President Bill Clinton's serial apologising, as he struggles to win back the support of disenchanted political allies and the American people, is hardly reassuring for financial markets; it smacks of desperation. This sense of mounting crisis helps explain why the delivery of independent counsel Kenneth Starr's report to Congress and its imminent posting on the internet contributed to another big slide in US stock prices yesterday.

At this point, the president's troubles present at least two serious problems for the market. One is simply that the uncertainty surrounding the outcome of Mr Starr's investigation into Mr Clinton's conduct is unsettling. A few months ago, the market would have shrugged off such worries on the grounds of strongish economic fundamentals and robust investor confidence. But with Japan in economic distress, Russia in crisis and other emerging markets in trouble, this is one uncertainty too far.

The second problem is the loss of strong US political leadership. In previous tight spots, such as Asia late last year, the US has used its clout to help galvanise support and restore global markets to a more or less even keel. The crisis in the White House can only lessen the chance that financial markets – both outside and inside the US – will recover.



Russia

Yevgeny Primakov's nomination as prime minister should temporarily fill Russia's power vacuum. Boris Yeltsin's forced retreat before Duma opposition to Victor Chernomyrdin provided final proof – if any were needed – of his diminished authority. But whether Mr Primakov will supply the strong, legitimate leadership needed to restart economic reform and reintegrate Russia into international capital markets is another matter.

On the positive side, Mr Primakov seems to have broad enough support to ensure the Duma's ratification. But it is extremely unclear what economic policy he will pursue. None of the options for dealing with Russia's crisis – a currency board, hyperinflation, traditional tight macroeconomic policy or a return to state control – is appealing. Mr Primakov may be less in hock than Mr Chernomyrdin was to the oligarchs who have so disastrously hijacked policy-making in the past. But the worry is that he will, instead, need to gain support from the Communists. That could involve jumping from the frying pan into the fire and lead him to favour the worst of all policy options: a return to a command economy. Reports that a former head of the Soviet Gosplan state planning body will have an important role in government are not encouraging. With luck, Mr Primakov can stabilise the situation. If not, there is a risk that economic power will ebb away to the feuding regions, presaging political disintegration.

Japan

Dollar weakness has given the Japanese authorities an opportunity to try one more ploy to get the economy moving: easing monetary policy. While Wednesday's interest rate cut reversed the yen's climb against the dollar, it remains about Y12 short of its recent low. So the prospect of printing yen has been raised without much initial damage to the currency.

The quarter-point interest rate cut is not very significant by itself. Arguably it simply addressed the undesirable tightening thrust on the economy by the strengthening currency. The last thing Japanese exporters – the remaining stalwarts of the economy – want is to lose that advantage.

The big question is whether the move presages a boost to the money supply. While a liquidity injection may well follow, it would be premature to expect a no-holds-barred attempt to inflate Japan out of trouble. Such a move could easily trigger a free-fall in the yen. Why would Japanese investors bother to keep their money in yen if inflation really does take off? That would involve accepting a negative real interest rate at home when they can still enjoy positive real interest rates abroad.

In such circumstances, of course, the pressure would increase on the US Federal Reserve to cut rates too. But those holding out such a scenario as bullish for global equities are guilty of wishful thinking. A renewed slide in the yen could prompt a new round of Asian devaluations – marking a new phase in the international financial crisis.

BTR

Does yet another set of poor results from BTR mean it is time for Ian Strachan's head to roll? By any measure, his tenure at the diversified engineer has been an unhappy one. Yesterday's 18 per cent share price fall – on the back of a £45m interim pre-tax loss – takes BTR's underperformance since the start of 1996 to a spectacular 76 per cent. The problem is not so much The strategy BTR is pursuing – in transforming itself from a conglomerate to an engineering group – as its implementation.

What has laid BTR low has been the failure to produce the promised trade-off between improved sales growth and lower average margins. To judge from the performance of the four core engineering divisions, strong organic growth remains elusive. With all four businesses showing lower like-for-like profits, last September's promises of 10 per cent growth for some businesses and at least economic growth plus inflation for the rest have not been kept.

BTR's troubles undoubtedly reflect in part difficult market conditions, seen in the substantial de-rating of the engineering sector. Unless it is to break up completely – which seems unlikely to create much value – what the company needs is strong hands-on management to make the remaining businesses sing. From all the signs to date, there is little to afford shareholders confidence that the current management is up to the task.

Trimble and Adams have first face-to-face meeting

Unionist leader backs conciliation and faces dissent from his supporters

By John Murray Brown

David Trimble, Northern Ireland's first minister, yesterday emerged from his first ever face-to-face meeting with Gerry Adams, the Sinn Féin leader, emphasising the importance of conciliation with nationalists, even on the sensitive issue of arms decommissioning.

Unionists were "not saying to people that you have to surrender arms or in any way feel humiliated", he said.

But he stressed that, if republicans were committed to peace, the disbanding of private armies was inevitable.

The 45-minute meeting, which took place in a small first-floor room in the vast Stormont parliament building, broke a long-held unionist taboo and promised to inject a new momentum into the peace process.

The meeting came as the Royal Ulster Constabulary signalled a further easing of security measures in the province. From this weekend, army patrols will be withdrawn from Belfast.

Mr Trimble described the meeting as "civilised", although he said they had not shaken hands. Mr Adams described it as "cordial".

Mr Adams said: "We are now dealing with the crisis in the way it should be dealt with – by direct dialogue."

Echoing Margaret Thatcher's description of Mikhail Gorbachev, he described Mr Trimble as "a man who I can do business with, he's a man I have to do business with because this is more important than the personalities involved.

"I put it to Mr Trimble that he and I had been cast in these positions and we had to narrow the gap. We had to find ways for him to help me and me to help him."

Mr Trimble faces dissent in his Ulster Unionist party over his decision to meet with the Sinn Féin leader before the IRA, its military wing, had started to disarm. Four party officials resigned yesterday, apparently in protest at their leader's meeting with Mr Adams.

Mr Trimble said he believed Mr Adams understood the republican movement's obligations under the Good Friday agreement. He has insisted that, until the IRA starts to disarm, Sinn Féin should not be allowed to take its seats in the shadow executive, which is set to take over the running of the province from London.

In Dublin, Bertie Ahern, the Irish prime minister, welcomed the talks, which he hoped were a "prelude to further meetings between the two, and further progress".

However, he warned Mr Trimble that there was nothing in the agreement requiring the IRA to start disarming before the shadow executive was formed.

Seamus Mallon, the nationalist deputy first minister, had also been present as the meeting opened in one of the new assembly's committee rooms, before the two sworn enemies moved into an annexe for 45 minutes of private discussions.

Mr Mallon said he hoped the meeting had "demystified" the process, and he called on both sides to draw a line in the sand and put their differences behind them.

Setback for Globalstar after rocket crash destroys satellites

By Christopher Price in London

Globalstar Telecommunications, the US telecoms satellite operator, saw its share price drop 43 per cent in early trading yesterday when a rocket carrying 12 of its satellites crashed shortly after launch in Kazakhstan.

Loral Space & Communications, Globalstar's biggest shareholder and main backer, saw its shares drop 19 per cent.

The disaster destroyed almost a fifth of the satellites required by Globalstar's $3bn system. Analysts said it was likely to set back by several months the group's plan to launch a global hand-held mobile phone service next year.

The crash comes just a day after Iridium, another US satellite operator, said it was delaying the launch of its rival mobile phone system – the first to offer the possibility of making and receiving phone calls anywhere in the world – due to technical difficulties, including a damaged satellite.

But Globalstar said it had contingency plans that would mean it would be able to begin operations on time, late in 1999, although with fewer satellites.

Globalstar later told analysts that it would not use the Ukranian-made Zenit rocket again but would switch to the Russian Soyuz model.

The Zenit is a very cost-effective launch vehicle because of its ability to carry 12 satellites. Like most other rockets, the Soyuz can only carry four.

Mark Oderman, managing director of CSP Associates, a US aerospace and telecoms consultancy, said the decision to switch away from the Zenit, which Globalstar was using to launch 36 of its 68 satellites, was a big setback for the company.

"The demand for satellite launchers is very high at the moment. This will add costs in time and money to the Globalstar system," he said.

He added that the Kazakhstan crash was "a major blow for Globalstar and a major blow for the entire satellite industry." Insurance rates were likely to go up as a result, he said.

Although the company did not comment on the cost of the explosion, analysts said each satellite was probably worth around $25m each, adding up to $300m. Globalstar said it was fully insured for any such accident.

The Zenit rockets, which were converted from Soviet ballistic missiles, reportedly blew up four minutes after launch.

Globalstar's system is scheduled to operate with 48 satellites, with another 16 spares.

Iridium said yesterday that it was planning for one satellite in its network to go wrong every two months.

A third rival consortium, ICO Global Communications, is planning to launch its satellite phone service in 2000.

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Sacked Malaysian deputy prime minister Anwar Ibrahim is cheered by supporters after calling for government reform. Page 6 Picture: Reuters

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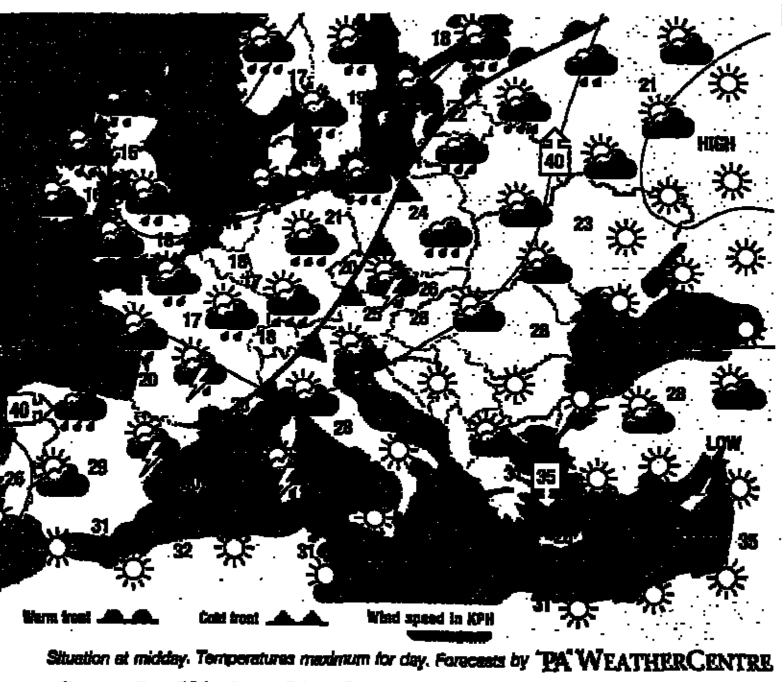
FT WEATHER GUIDE

Europe today
It will be cool and unsettled across western and central Europe. France and Germany will have sunny spells and showers. Norway, Sweden and Denmark will have more frequent showers, and Finland will have spells of steadier rain. North-west Russia, the Baltic states and the Alps will have heavy rain and thunderstorms. South-west Russia through to the Balkans will be sunny. The western Mediterranean will have a few thundery showers, but elsewhere will be sunny and hot.

Five-day forecast
Western and central Europe will become cool with sunny spells. It will become cold enough for some snow showers over the higher peaks of the Alps. The western Mediterranean will also become cooler, but eastern areas will remain hot and sunny.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	Sun	41
Accra	Shower	28
Algiers	Fair	32
Amsterdam	Fair	17
Athens	Fair	31
Atlanta	Sun	30
B. Aires	Fair	21
B.ham	Shower	16
Bangkok	Thunder	33
Barcelona	Shower	26
Beijing	Sun	31
Belfast	Shower	14
Belgrade	Sun	30
Berlin	Shower	21
Bermuda	Thunder	28
Bogota	Thunder	20
Bombay	Thunder	32
Brussels	Shower	16
Budapest	Fair	26
C.hagen	Shower	19
Cairo	Sun	37
Caracas	Fair	31
Cardiff	Shower	16
Casablanca	Fair	25
Chicago	Fair	29
Cologne	Shower	19
Dakar	Cloudy	30
Dallas	Fair	31
Delhi	Sun	35
Dubai	Sun	39
Dublin	Shower	15
Dubrovnik	Fair	28
Edinburgh	Rain	15
Faro	Sun	29
Frankfurt	Shower	20
Geneva	Thunder	19
Gibraltar	Sun	29
Glasgow	Shower	15
Hamburg	Shower	18
Helsinki	Shower	18
Hong Kong	Shower	31
Honolulu	Fair	32
Istanbul	Fair	27
Jakarta	Thunder	33
Jersey	Shower	18
Johannesburg	Fair	25
Karachi	Fair	36
Kuwait	Sun	45
L. Angeles	Fair	34
Las Palmas	Fair	26
Lima	Cloudy	19
Lisbon	Sun	28
London	Shower	18
Lux.bourg	Shower	17
Lyon	Thunder	21
Madeira	Fair	26
Madrid	Fair	28
Majorca	Shower	30
Malta	Sun	31
Manchester	Shower	15
Manila	Rain	32
Melbourne	Drzzl	16
Mexico City	Cloudy	24
Miami	Fair	31
Milan	Thunder	25
Montreal	Fair	22
Moscow	Fair	21
Munich	Rain	19
Nairobi	Fair	25
Naples	Fair	30
Nassau	Shower	32
New York	Fair	28
Nice	Shower	25
Nicosia	Sun	32
Oslo	Rain	17
Paris	Shower	18
Perth	Fair	24
Prague	Shower	20
Rangoon	Thunder	31
Reykjavik	Shower	9
Rio	Cloudy	25
Rome	Fair	28
S. Frsco	Fair	24
Seoul	Sun	30
Singapore	Shower	31
Stockholm	Shower	19
Strasbourg	Shower	20
Sydney	Shower	20
Tangier	Sun	25
Tel Aviv	Sun	35
Tokyo	Fair	28
Toronto	Sun	31
Vancouver	Cloudy	21
Venice	Shower	25
Vienna	Thunder	25
Warsaw	Shower	24
Washington	Sun	28
Wellington	Fair	11
Winnipeg	Sun	24
Zurich	Rain	19

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FINANCIAL TIMES
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FRIDAY SEPTEMBER 11 1998
Week 37

INSIDE

Indonesia's Astra to cut costs and restructure debt

Carmaker Astra International, Indonesia's flagship, almost sank under fire from the Asian crisis, but now it is restructuring. Astra is cutting costs and offering its creditors a debt *restructuring proposal in return for ceding* majority control of its car production ventures and selling non-core businesses. Page 15

Hoechst sale continues streamlining

Hoechst, the German life sciences group chaired by Jürgen Dormann (left), is to sell its Vianova synthetic resins division to the private equity arm of Deutsche Bank. Mr Dormann is attempting to turn the once sprawling chemicals giant into a leaner company focused on pharmaceuticals and agrochemicals. The sale is valued at around DM800m ($464m). Page 14

BTR shares fall 18 per cent

Shares in BTR, the UK group, plunged 18 per cent to a 14-year low, as another set of disappointing data forced analysts to cut profit forecasts by more than £100m ($165m). Page 17

Swedish bank ups Hansapank stake

FöreningsSparbanken, one of Sweden's leading lenders, increased its stake in Hansapank, Estonia's largest bank, to more than 30 per cent in an apparent bid to frustrate an alliance between Hansapank and Skandinaviska Enskilda Banken. Capital Markets, Page 20

Coffee groups call for free imports

Indian coffee shipping groups have asked the government to allow the free import of robusta coffee from Indonesia to cover a shortfall in Indian supply. Commodities, Page 22

Foreign groups buy Panama stakes

Union Fenosa, the Spanish group, and Constellation Power of the US agreed to pay a total of more than $300m for stakes in three electricity distribution companies in Panama. Page 16

Wassall trumps Cooper bid for TLG

Wassall, the industrial conglomerate, has trumped a bid by Cooper Industries of the US for TLG, the UK lighting group, with a £351m cash offer. News of the 175p-a-share bid sent TLG shares higher, on talk that Cooper could raise the offer it made last week. Page 17

Cantor hits back at suit from CBOT

The new Cantor Financial Futures Exchange, the first US "electronic" futures exchange, hit back at a Chicago Board of Trade lawsuit that challenges its authorisation, accusing CBOT of using "bullying and pressure" to retain its position. Capital Markets, Page 20

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MARKET STATISTICS

Fresh tremors hit global markets

Clinton troubles add to pressure on stocks and dollar

By Philip Coggan, Jeremy Grant and Kenneth Gooding

The impeachment threat facing President Bill Clinton combined with the latest twist in the emerging markets crisis *to send financial markets into* a spin yesterday.

The US stock market and the dollar were hit by concerns about President Clinton's future, while government bonds and gold benefited from their perceived "safe haven" status.

The falls dashed hopes that global equity markets had reached a turning point after the recent correction that began in mid-July. The Dow Jones Industrial Average rose 380 points on Tuesday, a record one-day points rise. But it fell 155 points on Wednesday, and an hour before yesterday's close it had lost about 240 points during the trading session.

Doubts about the prospects for corporate earnings growth, after the Procter & Gamble warning on Wednesday, added to investor woes.

The dollar fell to a 16-month low against the D-Mark and added to the pressure on stock markets in Europe, where exporters have benefited over the past few years from the steady depreciation of their currencies against the dollar.

The Paris and Frankfurt stock markets each fell by more than 4 per cent, and in London the FTSE 100 index failed to take cheer from the Bank of England's hints that interest rates had peaked, falling 174.7 to 5,136.6.

Fears grew that Latin America would be the next region forced into devaluation and economic downturn, which would have significant consequences for the US economy.

A statement from the Brazilian central bank on the country's worsening situation, and signs of further capital flight, sent the Brazilian stock market down by 10 per cent in early trading. Other Latin American markets fell in its wake, as did the shares of US banks, which are heavily exposed to the region.

In Europe, the retail banking sector of the FTSE Eurotop 300 index fell 6 per cent after Société Générale on Wednesday became the latest bank to make provisions against emerging market losses.

All these worries enhanced the attractions of government bond markets, where futures contracts hit record highs and the yield on the benchmark US 30-year long bond sank to an all-time low of 5.22 per cent in early trading. In Germany, the yield on the benchmark 10-year bund contract slipped close to 4 per cent, and in London, the 30-year gilt yield fell below 5 per cent.

The rebound in gold was the the first time in the current crisis that bullion had shown signs of being regarded as a safe haven, a role it held before the 1980s. In London, gold was fixed at $290.50 a troy ounce, up $7.05 from Wednesday's afternoon fix.

"As money looked for somewhere to go, gold got a bit of residual interest," said Andy Smith, analyst at Mitsui trading group. "It was the least worst option for some people."

Bonds, Page 20
Currencies, Page 21
World stock markets, Pages 28-32

Banking shares fall on fears of further exposure

By George Graham in London

Bank shares fell across Europe this week as more institutions disclosed their exposure to Russian creditors. But analysts fear there could be another $20bn of exposure yet to be revealed.

Data on bank lending to Russia compiled by the Bank for International Settlements, the Basle-based central banks' organisation, suggest total exposure of $72bn. About 30 per cent of this is not so far accounted for.

"There is still a large discrepancy between aggregate bank exposure as reported in the BIS data and the exposure reported by individual banks," said Charles Prescott of Fitch IBCA, the credit rating agency.

The largest exposure so far reported is Credit Suisse First Boston's $2.2bn. Deutsche Bank has DM1.35bn ($750m) of loans not covered by state guarantees. French banks have also seen their share prices fall this week after disclosures about the scale of their exposures.

Bank Austria appears vulnerable in relation to its size. Austria's largest bank this week acknowledged it might need to make provisions of between ASch2.5bn ($197m) and ASch4.5bn in relation to derivative contracts used to hedge its holdings of Russian securities. This would come on top of the ASch4.2bn it provided against its on-balance sheet credit exposure of ASch12.6bn.

But damage to European banks may be limited, since much of the money lent, particularly by German and Italian banks, is guaranteed by their governments' export credit agencies. Some credits are also secured by hard currency assets due to be paid to Russian exporters such as Gazprom. Fitch IBCA estimates that 45 per cent of total bank exposure is covered by government-owned export agencies, and another 7 per cent by hard currency collateral.

But the state of the Russian banking system has thrown doubt on the value of derivative contracts western banks set up to hedge their exposure on GKOs – Russian Treasury bills. This kind of swap may show up as a small exposure when the bank reports its results, but could turn into a larger problem if the counterparty defaults, as many Russian banks are expected to do.

Banks have differed over whether to include indirect exposures, such as loans made to hedge funds which are themselves deeply at risk in Russia.

Barclays said ten days ago it expected to take a charge of £250m in the second half of this year to cover losses on its total banking and securities trading exposure of £340m. It used an exchange rate of Rbs12 to the dollar. Eight days later, CSFB valued its exposure using an exchange rate of Rbs25 to the dollar.

While few banks' Russian exposure is worse than 10 per cent of their equity base, the effect of Russia's problems, on top of the loan losses incurred in Asia, is starting to eat into capital. Any extended contagion to Latin America would compound the difficulties.

Banking shake-up, Page 14

Plea over Russian bank debt

Potanin calls on creditors to renegotiate loans

By Chrystia Freeland in Moscow

Sombre: Vladimir Potanin, head of Interros, is expecting a furious reaction from Western creditors AP

Russian banks will be unable to repay their debts to western creditors unless the terms are radically eased, the head of one of Russia's most powerful financial and industrial groups said yesterday.

Vladimir Potanin, head of Interros, said that Oneximbank, the group's banking arm, was considering defaulting on its rouble forward contracts and would press for renegotiation of its other loans.

In an interview, Mr Potanin said neither Russia nor its western creditors fully appreciated the depth of the country's economic crisis. He said it was time to renegotiate the terms between Russian banks and their western creditors.

"All our banks have collapsed. We now understand clearly that to fulfil our debts fully is impossible, so I think that banks must begin talks with their creditors now, while they are still alive," he said.

Mr Potanin, who had tried to position himself as the most investor-friendly of Russia's bankers, said he expected western creditors to be furious when confronted with the depth of the country's losses, including those of Oneximbank.

"I think it will be very hard for us to convince [western] investors we are all in the same boat. There will be distrust," he said.

The negotiations are certainly likely to be difficult. Mr Potanin said his group would ask for a significant easing of credit terms. He proposed the harshest treatment for holders of futures contracts, purchased by western banks to hedge their exposure to the risk of rouble devaluation. Unsettled rouble futures are one of the biggest looming problems for the Russian banking sector.

"We will conduct negotiations with our investors on restructuring, on the basis of very serious discounting, perhaps to zero," he said.

As for the group's other loans, he said he would ask investors to extend the maturities of the credits, ease the terms and perhaps even discount the debt. If investors were unwilling to renegotiate, Mr Potanin said they could instead choose to take possession of the Russian assets against which the loans had been secured.

"Either extend the maturity or let us go through bankruptcy proceedings and we will give you the asset. If you think we are poor managers, go ahead and take the assets," he said. "We will not steal."

Mr Potanin said that, if they wished, he would offer lenders control over "major assets", including Moscow real estate and industrial enterprises such as Perm Motors, a producer of aircraft engines. He said Interros might even be forced to give up a stake in Sviazinvest, the telecoms company at the centre of Russia's most controversial privatisation.

However, the hazards of doing business in Russia are likely to make outside investors reluctant to take Russian factories instead of repayment of their loans.

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Kia Motors offered $5.8bn debt write-offs

By BJ Lee in Seoul

Creditors of South Korea's Kia Motors and its truck affiliate Asia Motors have offered to write off Won7,860bn ($5.85bn) of debts, including Won2,900bn of principal, before the second attempt at an international auction to sell the two bankrupt vehicle makers.

Ford Motors of the US and three South Korean carmakers – Hyundai, Daewoo and Samsung – all bid unsuccessfully in the first round of the auction which was aborted as all four bidders asked for principal debt write-offs – a condition Kia creditors deemed unacceptable. Creditors had previously offered to write off Won6,500bn of loan payment by rescheduling debts and exempting the two companies' payment guarantees for affiliated companies, but no principal write-offs were offered.

Bids for the second round will close on September 21 with the winner announced on September 29. Analysts and Kia officials said it was highly likely there would be a winner this time. The mainly Korean creditors yesterday also offered to reduce the buyer's interest payments by Won2,800bn through debt rescheduling, and exempt Won2,200bn of payment guarantees for the two companies' affiliates. The two companies' total debts of Won11,900bn include Won2,400bn of payment guarantees.

"The new offer by the creditors makes Kia very affordable and attractive," said Kia. Lim Dong-soo, auto analyst with Jardine Fleming's Seoul branch, said Samsung was seen as "the strongest contender", given its aggressive bidding in the first round.

Samsung bid the highest amount of Won1,280bn, followed by Daewoo's Won1,110bn. Hyundai and Ford, which holds a 17 per cent stake in Kia together with its affiliate Mazda Motors of Japan, bid below the minimum bidding price of Won1,100bn.

Samsung also asked for the smallest amount of debt write-offs of Won2,400bn, while Ford demanded write-offs of nearly Won9,000bn. Ford had been considered the strongest candidate because of its financial strength, management expertise and technical capability. Daewoo and Hyundai did not specify the amounts of write-offs they wanted.

Rio Tinto slips 7% to $551m in first half

By Kenneth Gooding, Mining Correspondent

Rio Tinto, the world's biggest mining group, reported first-half net earnings 7 per cent lower at US$551m, describing them as "robust" against a background of market turmoil in Asia and sharply lower prices for some products.

Robert Wilson, chairman, said: "This business is more resilient than the market perceives. There is no reason why we should not go on providing this unusual resilience."

The results were in line with expectations and forecasts for the full year were left unchanged, at about $1.11bn against $1.22bn in 1997. John Syropoulo at HSBC Securities, who expects $1.105bn, said of the first half: "This was a creditable performance in the conditions."

Nevertheless, Rio's price fell with the rest of the market and it closed down 23p, or 3.7 per cent, at 599p.

Rio said the drop in commodity prices hit earnings by $278m. This was partly offset by $107m in efficiency gains, $124m from exchange rate gains and $16m from increased sales volumes.

Consequently, the group's margins remained stable at 23 per cent and operating cash flow remained strong at $1.22bn, up from $1bn in the first half of last year.

Cost savings from the merger two years ago between RTZ and CRA are running at more than $350m annually, ahead of the indicated $300m.

Rio is maintaining its interim dividend at 16¼ cents, a 4 per cent reduction to 9.96p for UK shareholders and a 24 per cent increase to 27.96 Australian cents.

Mr Wilson said Rio would do well if it achieved similar cost savings in the second half. Commodity prices were down as far as possible so would show little change. Exchange rates had been changing too fast to be able to forecast.

"We have been consistent in our focus on high-quality assets, managed as efficiently as possible. We have worked hard and successfully in recent years to ensure satisfactory returns even in today's weak markets.

"As a result, our earnings and cash flow remain very healthy and we are redoubling our efforts to find new ways of creating long-term shareholder value," he added.

Rio has bought 3.8 per cent of its own shares in Australia for US$133m and Mr Wilson said there might be a "modest" buy back in Britain even before changes in UK Advance Corporation Tax next April.

Four of Rio's six product groups – iron ore, industrial minerals, Comalco and energy – reported earnings increases averaging 22 per cent while earnings from the copper group and gold and other minerals fell by 30 per cent and 14 per cent respectively.

Half-year turnover was down 5 per cent at $4.46bn, profit before tax slipped by 8 per cent to $942m and earnings per share were down by 7 per cent to 39.4 cents.

FRANCE ECONOMIC UPTURN IN WESTERN EUROPE GIVES BOOST TO PROFITS DESPITE CRASHES IN RUSSIA AND ASIA

Banks offset effects of financial crisis

By Samer Iskandar in Paris

The pick-up in economic activity in France and western Europe has helped French banks partially offset the negative effects of the financial crises in Russia and Asia.

Paribas yesterday announced first-half net income of FFr4.21bn ($728m), up 25 per cent from the same period last year. Profits at Banque Nationale de Paris were also up 25.6 per cent at FFr3.99bn, while Crédit Commercial de France rose 39.2 per cent to FFr1.12bn.

The three banks reported strong growth in domestic operations, with deposits rising 10.5 per cent at CCF. BNP said the first half was "characterised by strong activity in terms of new deposits and the continuation of growth in lending, both to companies and individuals".

Paribas also benefited from the integration of Compagnie Bancaire, its retail banking operation.

"We are beginning to see the benefits of the merger," said André Lévy-Lang, chairman. "We can already feel the effects of growth in retail services."

Bank shares were among the worst performers yesterday in a falling market. While the CAC-40 index closed 4.59 per cent lower, Paribas lost 7.6 per cent to FFr420, CCF 6.3 per cent to FFr385.9 and BNP 8.7 per cent at FFr337.8.

Analysts said the fall was technical, and not due to the provisioning of Russian and Asian exposures. Shares had outperformed other sectors in previous sessions.

Provisions were in line with expectations, after Société Générale announced earlier this week that it was booking a FFr2.5bn general provision in its first-half results "to take into account the emerging markets crisis". Its shares yesterday closed 11.8 per cent lower at FFr841.

Paribas included in its first-half results FFr2bn in provisions linked to the Russian and Asian crises, covering 26 per cent of its exposure to these markets as calculated at the end of August.

BNP also raised its provisions by FFr1.9bn to FFr4.9bn for the five troubled Asian economies - South Korea, Indonesia, Malaysia, the Philippines and Thailand. The bank said its Russian exposure amounted to FFr4.3bn at the end of July, consisting of FFr2.8bn of foreign currency-denominated sovereign debt.

The outlook for the second half, however, is less promising. Charles de Croisset, chairman of CCF, said the bank's objective was to "confirm in the second half our strong performance, in a more difficult environment".

In spite of the current crisis, Mr Lévy-Lang expected Paribas's return on equity to match last year's 13 per cent, "unless there is a global meltdown". The long-term target of 15 per cent would be reached in 2000.

KBC coy on Rabobank link-up talk

By Neil Buckley in Brussels

KBC, the new Belgian banking and insurance giant, yesterday played down prospects for an alliance with Rabobank, but said there had been contact over possible co-operation with Robeco, the Dutch bank's fund management arm.

The Belgian group, formed this summer from the merger of Kredietbank, Belgium's second biggest, Cera, the co-operative bank, and ABB, an insurer, is now Belgium's biggest company by market capitalisation. Its maiden results showed a 16 per cent increase in pro forma first-half net profits to BFr15.79bn ($444m), marginally below analysts' forecasts.

Kredietbank was known to have had talks with Rabobank, and analysts speculated about a further international alliance – possibly creating a dual-centred group similar to the Belgo-Dutch Fortis group.

The bank said this summer it would resume contact with Rabobank once its Belgian merger was completed, but Remi Vermeiren, KBC chief executive, warned yesterday against "unrealistic expectations".

"We are not talking about a major merger, with broad scope," he said. "The talks are quite constructive, but we are talking about individual, specific, joint operations."

He added that KBC had had discussions about "joining efforts" with Rabobank's Robeco – the Netherlands' biggest manager of client funds – as the group sought to internationalise KBC Securities, its fund management business, but no conclusions had been reached.

Mr Vermeiren said KBC had registered its interest in the privatisation of CSOB, the Czech foreign trade bank, and in the Romanian development bank.

He said the first-half profits increase reflected a "significant" rise in net commission income on the banking side, plus a favourable trend in both life and non-life insurance activities.

Total gross revenues increased 32 per cent from BFr71.7bn to BFr94.6bn, with operating costs up only 12.6 per cent from BFr42.85bn to BFr48.19bn.

Group profits before tax increased 42 per cent to BFr26.94bn, with insurance profits up 45.8 per cent at BFr7.71bn, and banking up 40.6 per cent at BFr19.29bn.

Writedowns and provisions for credit risks increased from BFr6.31bn to BFr8.2bn. The group also made a BFr4bn transfer to its fund for general banking risks, and made a BFr4.71bn provision for its insurance business.

Earnings per share increased 14 per cent from BFr46.7 to BFr53.4.

Deutsche Bank unit to buy Hoechst division

By Graham Bowley in Frankfurt

Hoechst, the German life sciences group, is to sell its Vianova synthetic resins division to the private equity arm of Deutsche Bank.

The sale, valued at around DM800m ($464m), is the first private equity deal since the reorganisation of the German bank's asset management business this year.

The deal continues Hoechst's widescale restructuring. Jürgen Dormann, chairman, is attempting to turn the once sprawling German chemicals giant into a leaner company focused on pharmaceuticals and agrochemicals.

A letter of intent is expected to be agreed between Hoechst and Morgan Grenfell Development Capital – Deutsche Bank's private equity division – at the start of next week.

This year, the bank has reorganised all of its asset management business under Michael Dobson, board member of Deutsche Bank.

This restructuring has brought together DWS, Deutsche's German retail asset management fund, with institutional asset management, which was part of Deutsche Morgan Grenfell, the former investment banking arm.

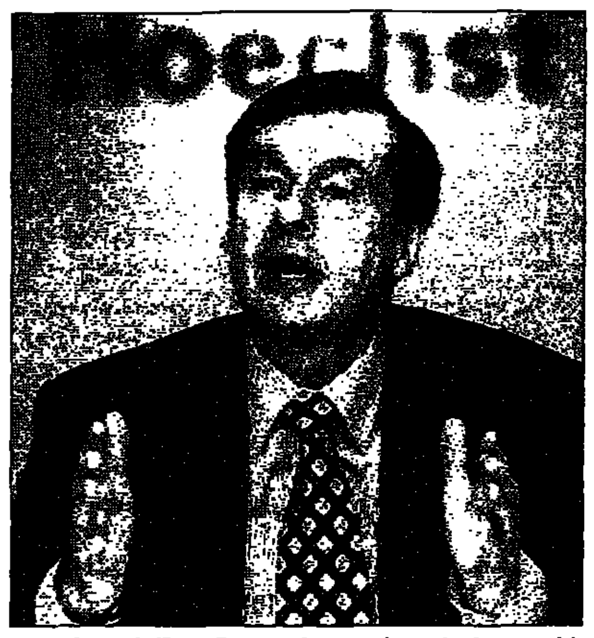
The deal is the second sale by Hoechst of a division to financial investors in the past month. At the end of August, it sold Herberts, its paints company, to Kohlberg Kravis Roberts, the US private equity investor, in a DM3bn deal.

Hoechst said Deutsche Bank had beaten a number of financial investors and industrial competitors interested in buying Vianova.

Deutsche's private equity division is using an existing £350m ($582m) private equity fund to pay for the Hoechst division, which employs 1,700 people in Germany and Italy.

Deutsche Bank is also taking a direct stake in the company, but this is intended to be bridge financing until a new private equity fund is raised.

Graham Hutton, chief executive of Morgan Grenfell Development Capital, said existing management would stay in place at Vianova and would participate in the buy-out.



Tightly focused: Jürgen Dormann favours a leaner business model

He said Morgan Grenfell Development Capital, which wants to push more aggressively into the German market, intended to retain and develop Vianova for up to five years. He said it was possible that the company, which has annual revenues of around DM900m, could grow through acquisitions.

Sell-off plan values CNP at FFr22bn

By David Owen in Paris

Caisse Nationale de Prévoyance is set to be floated on the Paris stock exchange in a move likely to value the life assurance group at FFr20bn-FFr22bn ($3.5bn-$3.8bn) and to raise FFr7.5bn-FFr8bn for the French state.

Under plans outlined yesterday, about 22 per cent of the group's capital will be placed on the market in coming weeks, if conditions permit.

The company will remain under public sector control, however, with 60 per cent of its capital in the hands of the Caisse de Dépôts et Consignations, the state-controlled financial institution, and the French post office.

Under the plans, the state – which owns 42.4 per cent of the capital – will sell about 51m of its 54m shares. There will also be a FFr1.5bn capital increase, consisting of about 9.8m new shares.

A minimum of about 25m shares will be placed on the market, with a large chunk of the remainder earmarked for existing shareholders.

After the planned operations, the state's holding in CNP would have fallen to 1 per cent, while that of the Caisse de Dépôts et Consignations would rise from 30 to 40 per cent.

The stake of the post office would rise from 17.5 to 20 per cent and that of the Caisses d'Epargne savings network from 10 to 12.5 per cent.

In addition, a total of 4 per cent of CNP's capital would go to "new partners" likely to include Swiss Reinsurance, one of Switzerland's largest reinsurers.

The share sale will involve a fixed-price offer for private investors of a minimum of 10m shares and a placement with French and foreign institutions of about 15m shares. The indicative price range for the flotation is FFr146-FFr160. Private investors will pay FFr4 a share less than institutions.

The pre-placement period began yesterday, with the price due to be fixed on September 23. The shares would be quoted from October 6.

The company is the biggest life assurer in France with more than 19 per cent of the market.

Breuer sees European banking shake-up

By Andrew Fisher in Frankfurt

Banks in Germany, France and Italy face "massive consolidation" as the pressures of globalisation, the arrival of the euro and the advance of electronic and internet banking force them to combine in more competitive units, Rolf Breuer, chairman of Deutsche Bank, said yesterday.

Cultural barriers to cross-border mergers and acquisitions would slowly disappear. Mr Breuer has said previously that Deutsche, Germany's biggest bank, was experiencing difficulties expanding in France.

But he said yesterday that Germany was also resistant to foreign takeover and merger attempts. It also remained to be seen whether foreign banks would be allowed to play a significant role in Italian bank restructuring.

"Over time, euroland will have to open up," he said. But countries' emotional and psychological objections to deals involving big foreign banks could be mitigated if these were in specialised areas such as retail or investment banking.

"That would be more likely to be successful than if a big elephant comes along and the small one [the target bank] says 'My God, that's the end of my 100-year history'." He said the trend towards specialisation in banking was increasing as information technology opened up competition from non-banks in retail, broking and other banking sectors.

Thus German-type universal banks, grouping an array of retail and wholesale activities under one roof, were being forced to change. "Our business is characterised by developments in IT." Big banks would have to adopt a "multi-specialist" approach, using their strong brands and customer links to win business through customised services and products.

Audi pledges to keep Cosworth independent

By John Griffiths

Volkswagen's Audi division yesterday pledged to preserve the independence of following completion of the UK engineering consultancy's sale by Vickers to the German group for £117m ($195m).

In a move aimed at reassuring about a dozen vehicle or engine manufacturing companies for which Cosworth is working, Franz-Josef Paefgen, Audi chairman, said the German group had already put in place "all the confidentiality measures necessary to protect the interests of Cosworth Technology's customers".

Audi's move to stress Cosworth's independence coincides with big management changes, including the departure as chairman of Charles Matthews, who steered Cosworth through a period of rapid expansion.

Insiders at the company insisted, however, that the departure of Mr Matthews, 44, was harmonious and that Audi had tried hard to keep him. He is to serve as a consultant until at least the end of the year.

He is to be succeeded by David Bate, formerly human resources director. Mr Bate is expected to preside over what Audi intends to be an accelerated period of growth for Cosworth Technology, which groups together the engineering, castings and powertrain consultancy divisions. It excludes Cosworth Racing, which Audi is selling to Ford – its principal customer – for an estimated £50m.

The operations are profitable and turned over about £80m last year.

Audi is poised to place several large contracts with its new subsidiary but is anxious for the independent consultancy to grow in tandem. "Audi knows and fully accepts that there are whole areas of Cosworth from which it will be barred," Cosworth said last night.

The company also has a new deputy chairman, Klaus Blickle, 43. He has most recently been in charge of Audi's manufacturing operations in China.

The moves coincide with management changes at Audi's operations in North America. Gerd Klauss, currently Audi vice-president in charge of Audi of America, is to become president and chief executive of Volkswagen of America and will be replaced by Len Hunt, currently director of Audi UK, from January.

Volvo aims to raise margins in shake-up

By Haig Simonian, Motor Industry Correspondent

Volvo expects to raise profit margins in its truck, bus and other non-car businesses by up to two percentage points by improved co-ordination of product development, purchasing and logistics.

Leif Johansson, group chief executive, said he expected operating profits to increase by up to SKr2bn ($251m) a year once the measures took effect. He warned, however, the savings would not necessarily feed into Volvo's net profits, as the benefits might be partly eroded by weaker prices or heavier marketing costs.

Mr Johansson, who has instituted a review of Volvo's operations, stopped short of regrouping Volvo's truck, bus, construction equipment and marine engine operations into a new "commercial products" division. With sales of about SKr100bn a year, turnover in commercial products is on a par with Volvo's core car division.

"We might have become even more focused, but that would have created a structure which would have added more costs," he said.

The changes would roughly halve the number of companies supplying Volvo's commercial products operations to 2,000, significantly reducing its SKr42bn a year purchasing bill.

Up to six of the group's biggest suppliers, such as Bosch and Valeo, which sell parts across the group, would be controlled centrally to co-ordinate and cut prices.

Mr Johansson cited numerous cases in commercial products where money could be saved by improved co-ordination in product development, purchasing, logistics or distribution.

Volvo's bus subsidiary alone currently bought seats from more than 50 suppliers. "I could well see us working with three, four or five."

Savings of SKr400m a year would come from harmonising engine needs within the next three years. Future products will use one family of large diesel engines, to be sourced internally, and two families of smaller diesels under development by Deutz. Volvo agreed to develop future engines in the 4-7 litre range with the German diesel specialist.

Mr Johansson said the group would outsource other big components when they could be produced more cheaply by outsiders.

Strong growth at Rheinmetall

By Tobias Buck in Bonn

Rheinmetall, the fast growing German industrial group, yesterday reported strong first-half growth and forecast record pre-tax profits of more than DM200m ($116m) for the full year.

Pre-tax profits in the first six months were DM10.2m, up from DM2.1m last year, but the company insisted that figure was of little significance since the bulk of sales, particularly in Rheinmetall's engineering and defence units, were booked in the second half.

Group sales rose 35.4 per cent year-on-year to DM3.6bn, while orders increased 43.7 per cent to DM4.29bn.

The order book value rose 16.9 per cent to DM7.35bn at the end of June, compared with the previous year.

The group predicted full-year sales of DM8.1bn, and added that it was on track to achieve its declared goal of sales exceeding DM10bn by 2000.

All of Rheinmetall's divisions contributed to sales growth in the first six months, the company said, adding that all divisions would contribute to full-year profits.

Rheinmetall's automotive division, accounting for 41 per cent of group sales, had enjoyed particularly strong growth, reflecting the recent upswing in the car industry.

The Düsseldorf-based conglomerate, which has more than 50 subsidiaries, has over the past few years built on its core defence activities and invested massively in diversification in the field of car-parts and engineering.

Olivetti challenge to Telecom Italia service

By Paul Betts in Milan

Olivetti yesterday stepped up its challenge to Telecom Italia's dominant position in the Italian telecommunications sector by launching two years before schedule a rival fixed-line service for the residential market.

Infostrada, the Olivetti fixed-line telephone subsidiary jointly controlled by Mannesmann of Germany, is seeking to attract 200,000 domestic subscribers by the end of this year, growing to 1m by 2000.

The subsidiary started offering services to business users in June and installed its first public telephone boxes in competition to Telecom Italia last month.

But yesterday's move is much more significant, in that the Olivetti subsidiary is now taking on Telecom Italia in its traditional residential telephone market.

Roberto Colaninno, Olivetti chief executive, said the move reflected the company's high growth expectations for both its fixed-line and wireless telecommunications activities.

Roberto Colaninno: high expectations for growth

Olivetti was also the first private company to challenge the country's telephone monopoly when it launched three years ago its Omnitel mobile telephone venture, which has now captured 4.7m subscribers in the fast growing Italian market.

Omnitel's bigger competitor, Telecom Italia Mobile (TIM), has also enjoyed strong growth. TIM reported this week a 71 per cent rise in first-half net profits to L1,050bn and said it had attracted a further 3.2m subscribers since the beginning of the year.

TIM now has 12.5m subscribers, making it the largest cellphone operator in Europe. Olivetti said Omnitel had now become Europe's third-largest operator of GSM cellphones.

In the fixed-line sector, Infostrada is planning L2,000bn ($1.17bn) of investments over the next two years, and has set a target of annual revenues of L1,000bn by 2000.

However, Marco De Benedetti, Infostrada chairman, said the Olivetti subsidiary was still handicapped by Italian regulatory obstacles that gave competitive advantages to Telecom Italia.

Both Telecom Italia and Olivetti will soon face competition in both the cellular and fixed-line market from a third competitor, the Wind consortium combining Enel, the Italian state electric utility, with France Telecom and Deutsche Telekom.

Wind is due to begin experimental services in Rome and Milan at the end of this year, and plans to offer its first fixed-line business services by Christmas.

Promodès ahead 17.6% to FFr621m

By David Owen in Paris

Promodès, the French retailer which last year launched a failed FFr31bn hostile takeover bid for its rival Casino, has reported a 17.6 per cent increase from FFr528m to FFr621m ($107m) in first-half net attributable profits.

The result was achieved on turnover ahead 8.4 per cent at FFr56.2bn.

Rallye, which now owns 53.6 per cent of Casino's capital, up from about 28 per cent a year ago, reported a first-half net profit of FFr425m on turnover of FFr31.8bn. It said Casino's results were strongly ahead.

Net attributable profit, however, fell from FFr183m to FFr103m. The group attributed this to increased financial costs linked to the increase of Rallye's stake in Casino, losses at Athlete's Foot, a US sports retailer, and a FFr95m exceptional gain in the 1997 first half.

It said Casino's accounts had been integrated with those of Rallye since March 1.

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INVESTMENTS NEW ZEALAND COMPANY REVEALS ONE OF THE WORST RESULTS IN THE COUNTRY'S HISTORY AFTER BOARDROOM TURBULENCE

Large Brierley writedowns lead to losses of NZ$904m

By Terry Hall in Wellington

Brierley Investments yesterday unveiled one of the worst results in New Zealand corporate history after asset writedowns of NZ$1.19bn (US$603m) for the year to June 30.

The net loss of NZ$904m, compared with a profit of NZ$311.3m last year, was accompanied by a statement from Sir Roger Douglas, executive chairman, that Brierley would focus over the coming year on reducing debt which stood at NZ$4bn at the end of June.

Since April, Brierley has also undergone a management coup that saw the departure of its chairman and chief executive, boardroom ructions and an aggressive restructuring.

The company had raised NZ$700m since June through asset sales, special dividends and capital returns from subsidiary companies, and Sir Roger, former New Zealand finance minister, promised an equally ruthless approach to raising money.

The focus on debt reduction meant that the company would not seek further investments, Sir Roger said.

He said no final dividend would be paid. This was a source of boardroom discord with the majority shareholder, Camerlin, a Malaysian-based company, which had demanded a dividend. Sir Roger said the board had voted unanimously not to pay the dividend and for the bigger-than-expected asset writedowns.

He said the writedowns were forced on the company as the restructuring showed that many investments, especially in Asia and the US, were not sustainable. The bulk of the special provision of NZ$527m related to these investments, with the balance of NZ$664m reflecting the disparity between the market and book values of various investments and "realistic" estimates of their worth.

The level of provisioning and changed accounting policies meant that the company had temporarily breached its borrowing covenants relating to reported profits. However Herman Rockefeller, chief finance officer, said banks and credit agencies were supportive.

Some 78 per cent of Brierley's main investments are listed on international stock exchanges, and many have seen a sharp slide in their market prices. The share price of Brierley itself closed on the New Zealand Stock Exchange yesterday at 49 cents, compared with NZ$1.44 last year.

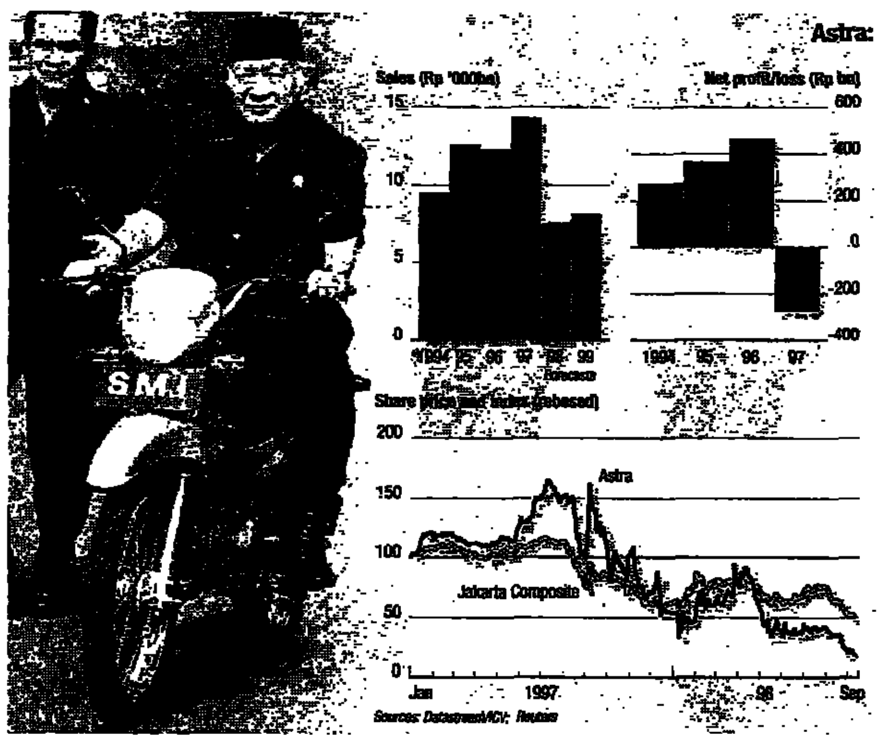
Sir Roger said that the sharp rise in debt levels and the rise in gearing from 33.1 to 49.7 per cent over the past year was mainly due to the impact on US-denominated debt due to the 20 per cent depreciation of the New Zealand dollar over the past year.

He announced that the recent tensions at board level meant that candidates for the vacant post of chief executive had indicated that they were no longer interested in the position. The company would continue to be managed by an executive committee that he would head.

The board was also seeking a new chairman. At the board meeting last week Sir Roger agreed to step down under pressure from Camerlin directors.

Sinking Astra struggles to find bail-out plan

Sander Thoenes reports on efforts to cut costs, sell units and restructure debt



Sources: Datastream/ICV; Reuters

The Asian crisis turned Astra International from Indonesia's flagship into a sinking ship, but now the carmaker is restructuring.

The group almost went under because of disastrous diversification by the founding family, forcing its members to cede control in 1996. With professional managers installed, Astra steamed along until, at full speed, it ran into obstacles.

Domestic sales collapsed with the Indonesian economy, hitting a low of 584 cars in June, compared with 19,117 the year before, and 22,915 motorcycles, compared with 64,005 in June 1997.

Worse, Astra faces a foreign debt of roughly $2bn, mostly to Japanese banks, and Rp2,000bn ($166.7m) in domestic debt. Some 70 per cent of foreign debt is hedged but hedging costs have shot up, with some contracts charging 30 per cent. Like most Indonesian conglomerates, Astra has stopped paying interest or principal.

"Right now it's a sinking ship," said David Chang, head of research at Trimegah Securities. "If you take the company apart and sell subsidiaries, there won't be enough left to pay the loans."

Rini Soewandi, who was promoted from finance director to president director this year, is more optimistic. "We have good partners, we have good products," she said. "In the long run, this business is quite strong. We just need time."

Astra is cutting costs and offering its creditors a debt restructuring proposal in October.

In return, Astra is willing to cede majority control of its car production ventures and sell non-core businesses. The group is Indonesia's largest car and motorcycle producer in partnership with Toyota, Honda and other producers. Mrs Rini said she expected Daihatsu to agree this month to increase its stake from 20 to 40 or 50 per cent, which would mark the first big domestic asset sale or debt-for-equity swap by Indonesian debtors to date.

Isuzu and Honda have been made similar offers, but not Toyota, Astra's largest venture, which has less debt than other ventures.

This month, Astra also expects to announce a $90m sale of its semiconductor subsidiary to a US investor. Stakes in its Sumalindo plantation subsidiary, its mining venture and a contract mining equipment company are for sale as well.

Astra has laid off some 10,000 of its 120,000 employees, mostly in marketing and distribution. More will have to go but most are in the profitable plantations. It is also reconfiguring its production lines, built for car and motorcycle components, for products that can be exported, such as Barbie doll moulds and instant cameras.

Mrs Rini conceded that Astra had also been over-eager to keep majority control over its ventures, forcing its holding company to take on $1bn in debt to finance expansion rather than let partners invest more in return for greater stakes. "That is too costly for us now," she said.

Mrs Rini also blamed herself for failing to hedge all of Astra's debt in October 1997, when the rupiah fell to Rp4,000 to the dollar. Many thought the rupiah had hit bottom but it is now around Rp12,000, leaving Astra with an open position of $600m.

Analysts suspect Astra, like many Indonesian companies, took out loans and placed them in rupiah deposits, which carried higher interest rates than abroad. This resulted in short-term profits – and big debts. Astra made nearly Rp80bn on such deposits in 1996, close to its net profit of Rp90bn. Mrs Rini denied doing this, saying that the company simply had irregular cash flow from its dealers which was parked in deposits.

Insurance group in bid for SGIO

By Russell Baker in Sydney

The rationalisation of Australia's financial services sector continued yesterday with Wesfarmers, the diversified industrial group, launching a A$330m (US$193m) bid for SGIO, the Western Australian insurer.

Wesfarmers, which operates a rural insurance business in Western Australia, unveiled a A$1.60 a share offer for SGIO after snapping up a 15 per cent stake on the Australian stock market.

Wesfarmers said the bid would create a general insurer in the state with enough capacity to compete against larger Australian and foreign companies.

The bid is the latest in a spate of takeovers and acquisitions in Australia's insurance industry. Last month AMP, Australia's largest insurer, made a A$1.35bn offer for GIO Australia Holdings. Colonial announced that it was acquiring the Australian and New Zealand operations of the UK-based Prudential Corp for A$1.35bn.

There has also been speculation that ANZ Banking, Australia's fourth largest bank, has been contemplating a takeover for National Mutual, the country's second biggest insurer.

Michael Chaney, Wesfarmers' managing director, said "the marriage of Wesfarmers' insurance business and SGIO is a very natural one".

Wesfarmers, which owns businesses covering fertilisers, chemicals, energy, merchandise and transport, acquired about 30m of the 34.8m SGIO shares traded yesterday. SGIO shares soared 30 per cent to close at A$1.63, slightly above Wesfarmers' offer.

The SGIO board last night advised taking no action regarding the offer.

NEWS DIGEST

RETAILING

Dickson Concepts plans North America expansion

Dickson Concepts, the Hong Kong-based luxury retail group, has completed an exclusive deal to produce and distribute Tommy Hilfiger leather goods and accessories in North America.

The attempt to boost overseas activities comes amid what Dickson Poon, chairman, described as "the worst trading conditions ever" for its Asian operations. Falling property and stock markets and rising unemployment have damped prospects within the retail sector. Retailers have responded with aggressive and prolonged sales, which have squeezed margins further. "If continued, these sales will result in consumer confidence being seriously undermined and profitability becoming an unrealistic expectation," said Mr Poon.

Dickson Concepts has invested up to US$30m in its new venture with Tommy Hilfiger, giving it the right to produce and distribute leather goods and accessories in the US and Canada. The group has long sought to build its presence in the US, to complement its sizeable European portfolio where interests include the Harvey Nichols department store in London and the ST Dupont luxury goods maker of France.

Analysts said the Tommy Hilfiger deal could help pave the way for a more substantial US interest.
Louise Lucas, Hong Kong

TECHNOLOGY

NEC and Lucent in tie-up

NEC, the Japanese computer giant, and Lucent Technologies, the US electronics group, said yesterday they would jointly develop and manufacture application-specific integrated circuits (Asics) for use in consumer electronics.

The move is part of the two companies' effort to develop systems-on-a-chip technology, which combines memory and logic cells on a single chip to improve efficiency of consumer electronic products. Lucent will use NEC's embedded dynamic random access memory cell technology to design the Asic chip. NEC will manufacture the product, which will be marketed by Lucent from June 1999. **Deborah Haynes, Tokyo**

JAPAN

Marubeni debt downgraded

Moody's, the credit rating agency, has downgraded the long-term debt of Marubeni, one of Japan's leading trading companies, from A3 to Baa2 on concerns about its long-term prospects. The downgrade reflects growing concerns about the outlook for Marubeni, which is vulnerable to the downturn in Japan's domestic economy as well as the currency crisis and subsequent slump in Asian markets. In particular, Marubeni's exposure to Chandra Asri, an Indonesian petrochemical project in Indonesia in which it has a 21.2 per cent stake, has been a focus of concern.
Michiyo Nakamoto, Tokyo

Trigem plans sub-$500 personal computer

By Alan Cane in Estoril, Portugal

Trigem Computer, the Korean computer maker, is planning to launch a high specification personal computer this year for less than $500. It could be a powerful blow in the battle to win share in the market for sub-$1,000 machines.

The new machine could cause disruption in the industry which is experiencing difficulties over the unexpected success of low-cost computers which use low-powered processors but offer most of the functions of more sophisticated machines.

Mr Yong-The Lee, founder and chairman of Trigem Computer said it would be the first time that a fully configured PC would be offered at a genuine consumer electronics price. It would put the machine in the same price bracket as top of the line colour televisions and video recorders.

Speaking at the ETRE computer conference in Estoril, Portugal, he said he expected the low price to result in explosive growth in personal computing, just as breaking the $500 barrier had promoted the spread of video recorders to near saturation levels. The new machine, to be marketed in November in the US and Europe at $499.99 would feature a 266 megahertz processor, 32 megabytes of fast memory and a 56K fax modem.

The price would include a colour monitor. Industry analysts said yesterday that while the machine was not the most advanced available, it was more sophisticated than any at that price.

Mr Lee said the computer would be marketed through other manufacturers who would brand it as their own. He refused to identify the maker of the processor chip, suggesting it might come from a company other than Intel, the US group.

Trigem, formed in 1980, turned over $800m in 1997 and has the largest share of the Korean PC market.

BANKING CITICORP, BANKBOSTON, NATIONSBANK AND BANKAMERICA SHARES SUFFER FALLS OF AT LEAST 9% BY MIDDAY

Bank stocks fall on Latin America turmoil

By John Authers in New York and Victoria Griffith in Boston

Bank shares resumed their terrifyingly swift downward progress on Wall Street yesterday morning, with Latin American exposures now taking prominence as the main source of alarm.

By midday, the Philadelphia Stock Exchange/Keefe, Bruyette & Woods bank index, the main benchmark for the sector, had shed more than 6 per cent, off 39.36 for the day at 612.79.

The index peaked at more than 930 less than two months ago.

All of the largest banks saw serious declines with Citicorp, NationsBank, and BankAmerica all suffering falls of 9 per cent or more. One the worst falls was suffered by BankBoston, which by mid-session had shed 8.32 per cent, down $3 1/16 for the day at $33¾.

Its high, set in July, was $59 1/16.

The bank was paying the price for its heavy exposure to emerging markets, particularly in Latin America.

About 20 per cent of BankBoston's earnings come from Brazil and Argentina, where it has extensive local commercial banking operations.

Two weeks ago, the group announced that its quarterly loss on trading positions had reached $30m, including a $10m loss in Russia.

All bank rating agencies agree that a downturn in Latin America is potentially much more serious for US banks than the collapse of the Russian economy.

Gregory Root, president of Thomson BankWatch in New York, said: "There's no comparison with Russia. That impacted a lot of people, but if you look at the magnitude of the losses compared with the size of the banks' capital it's not an issue – it just wiped out a quarter's earnings. Latin America would be a huge number for a lot of banks."

Ironically, BankBoston had stepped up its concentration on emerging markets earlier this year, closing its operations in Paris and Frankfurt to redirect funds to eastern Europe, and expanding its retail presence in Latin America.

In the first few months of the year, BankBoston opened 46 new branches in Argentina and eight new branches in Brazil.

In 1991, soaring profits from its operations in Brazil and Argentina saved the bank from collapse after huge property investments in New England turned sour.

The bank appointed the former head of the Brazil operation, Henrique Meirelles, as president of the entire bank two years ago.

Mr Meirelles has spearheaded BankBoston's aggressive moves into Asia, Russia and Latin America.

Mr Meirelles was unavailable for comment yesterday, but his philosophy in regard to emerging markets is well-known.

"Emerging markets are by nature volatile," he told the FT in a recent interview. "These downturns happen again and again until the economies have emerged. We see opportunity in such crises."

However, it will be difficult for the bank to use this latest crisis for bargain hunting as its own stock market troubles have weakened its ability to make acquisitions.

Late last month, BankBoston said its operations in Brazil and Argentina had not been affected by the latest stock market debacle, and that earnings in those countries would surge by 20 per cent this year.

One point made by Mr Root is that BankBoston, like Citicorp, benefits from the fact that its operations in Argentina and Brazil are indigenous.

They might benefit from a "flight to quality" by nervous savers in the countries.

He said: "They are probably less vulnerable to some of the market swings, compared with trading activity where things can move very quickly.

"There's a significant difference in that versus some of the cross-border trading activities, which are much harder to pin down."

GE chairman optimistic of strong growth

By Richard Waters in New York

General Electric's revenues are likely to grow by more 20 per cent during the company's current financial quarter despite the worsening state of the global economy, Jack Welch, chairman, said yesterday.

Despite the powerful growth, however, Mr Welch cautioned that the US and European economies were not immune to the economic problems spreading elsewhere.

He also backed comments made last week by Alan Greenspan, Federal Reserve chairman, which raised hopes in the markets of a reduction in US interest rates, though the GE chairman stopped short of calling for a rate cut.

If GE were to meet Mr Welch's prediction and raise its revenues by more than a fifth in the three months to the end of September, it would represent a further acceleration of the company's growth. Revenues rose by 13 per cent last year and 14 per cent in the most recent quarter, to $25.1bn.

Mr Welch also promised further cost savings from the US company's three-year-old quality initiative, known internally as Sixth Sigma. The programme has cost about $1bn to implement, but will have yielded savings of $2bn by the end of this year, he said. More than half of those savings would come this year.

The Sixth Sigma drive has also raised GE's output from existing facilities, saving it more than $1bn in capital investment that otherwise would have been needed to expand manufacturing capacity, Mr Welch added. These savings had made it possible for the group to raise profit margins over the past three years, despite "the tough global environment, with deflation everywhere".

The GE chairman, speaking in New York yesterday, refused to comment on whether the group's revenue growth was now set to slow. He said that the US and Europe remained "the two pillars that are strong" in the global economy, but they would not be immune to the pressures spreading from other regions.

General Electric's shares, at $77¼ yesterday were trading 20.4 per cent below their record set earlier this year, compared with an 18.4 per cent decline in the Dow Jones Industrial Average.

Jack Welch: predicted GE's revenues will grow by 20 per cent and promised further cost-savings from quality initiative AP

Panama energy investors take $300m stakes

By James Wilson, Panama City

Unión Fenosa in the Spanish energy group, and Constellation Power of the US, have extended their influence in Latin America by agreeing to pay more than $300m for stakes in three electricity distribution companies in Panama.

The regional distributors were formed earlier this year after being split from Panama's state power company and were sold yesterday in the first phase of the industry's privatisation, which went ahead in spite of turmoil in emerging markets.

Only three companies took part in the sale and organisers admitted that recent uncertainty had caused some bidders to pull out.

Luc Dejonckheere, of the International Finance Corporation, which advised on the sale, said the government's strategy of using the privatisation to cut customer tariffs had also affected bids.

However the offers were well above the government's reserve prices and broadly in line with recent similar sales in El Salvador and Guatemala.

"I think it is a fair price considering the market conditions," said Mr Dejonckheere. "We monitored the investors very closely and I think the government made the right decision to go ahead."

Unión Fenosa, which already has stakes in power distributors in Argentina and Bolivia, is to pay $212m for 51 per cent stakes in the Metro-Oeste company, which serves 214,000 customers in and around Panama City, and the Chiriquí company which has 70,000 customers near the Costa Rica border.

Constellation Power, a wholly-owned subsidiary of Baltimore Gas & Electric, had already moved into Central America by buying generating assets in Guatemala. Yesterday it agreed to pay $89m for 51 per cent of the Noreste distributor, which has 170,000 customers, principally in Panama City and the port of Colón.

Panama's government is retaining a 39 per cent stake in each distributor with the remainder reserved for workers.

Panama's electricity privatisation should be completed next month when it is due to sell stakes in a further four companies that own generating assets.

Mutual funds rating agency unfazed by dips

By John Authers in New York

The frightening declines in world markets have not alarmed Morningstar, the Chicago-based dominant US mutual fund-rating service.

The company, which is still private, is continuing to make the moves which would allow it to float on the market – although it has made no definite decision to do so – and it is busily engaged on a plan to expand into Japan.

It is also exploring options to build its business in Europe, particularly in Germany.

Morningstar, started 14 years ago as a newsletter, now has annual revenues of $45m – still not a massive amount. But its strategy of providing user-friendly guidance on mutual funds to retail investors, through the internet and conferences as well as through its newsletters, has left it dominating industry sales, supplanting several longer established rating services.

Funds which cannot boast at least four stars on the company's five-star system are at a critical disadvantage. According to a report by Goldman Sachs, the investment bank, all the net cash flow recorded by the mutual fund industry – including $231bn into equity funds last year alone – went to four and five-star rated funds. New investment was no larger than redemptions for the rest of the industry.

There are fears on Wall Street that retail investors' money will now begin to flow out of equities, inflicting further damage on share prices, but Morningstar's analysts believe this is premature. Many small investors put money into funds through retirement plans, and have learned to regard such investments as a long-term commitment.

Don Phillips, Morningstar president, said: "I don't think we've seen the long-term equity message tested yet. This is not the kind of event which will test it either. People aren't totalling up their net worth."

He added: "There have been some really ugly losses peak-to-trough, but that's not the way investors are measuring it. Psychologically, they want to look at where they are compared to when they bought, and they're still doing very well on that score."

Morningstar, which has grown on the back of small investors' enthusiasm, is also expanding, launching a new newsletter for direct stock investment earlier this year.

It is also in a joint venture with Softbank in Japan, with the ultimate aim of duplicating Morningstar's US role. At first, however, it is working much more closely with institutions, and attempting to help educate investors, now wary of the market after almost a decade of downturns.

Tao Huang, chief technology officer and head of international business for Morningstar, said: "The degree of Japanese trust for Japanese institutions is at a low. There is a pretty big opportunity for US companies who don't have this history. Really what we are trying to do with the products is leverage what we know to have worked in the US appropriately for Japan."

The Japanese save heavily, but mostly in postal accounts offering less than 1 per cent per annum. With deregulation, Morningstar believes it can achieve the same kind of success it managed in the US, even in spite of the current condition of the Japanese economy.

Despite its still relatively small size, many large publishers are eyeing Morningstar, primarily because of the power of its brand.

But the company does not seem to be in any hurry either to sell or to float on the market in an initial public offering. It says it is prepared and structured to become a public company, and has recently appointed a number of new vice presidents, but it still has no plans to go public.

"They are doing what Wall Street has told them to do for years. The irony is that when small investors start doing that they get criticised for irrational exuberance."

NEWS DIGEST

DERIVATIVES TRADING

Nymex is given go-ahead for electricity contracts

The New York Mercantile Exchange, the largest of the Manhattan-based futures markets, has received regulatory approval for two new sets of electricity futures and options contracts, based on delivery in the eastern US, giving it a headstart in what could become a competitive battle between exchanges.

Nymex already trades electricity contracts based on western delivery, with volumes currently averaging about 2,500 contracts a day. But the new contracts will provide for delivery via the Cinenergy transmission system, which is based in Ohio, and Entergy's system, which is focused on Louisiana. Nymex is also planning a third set of eastern US electricity contracts, with delivery through the Pennsylvania-New Jersey-Maryland interconnection system, but said yesterday that it had delayed submitting these for regulatory approval while the eight utilities involved in the PJM interconnection work out transmission policies.

Interest in US electricity contracts is expected to rise as more deregulation spreads through the power industry, and this has already caused the futures industry generally to look at their potential. The Chicago Board of Trade, the largest futures exchange, has been talking to mid-western utilities about introducing contracts based on that region, and the Minneapolis Grain Exchange is also examining the possibilities. **Nikki Tait, Chicago**

FIBRE OPTICS

Doubts over Ciena takeover

Investors yesterday appeared to give the thumbs down to the planned takeover of Ciena, the fibre optics company, by Tellabs, the telephone equipment group. The share prices of the two groups continued to diverge yesterday, with Ciena dropping 14 per cent to $16 11/16 in early trading, following a fall of close to a third the day before. The market is now valuing Ciena at about $1.7bn. In contrast, Tellabs' share price remained relatively strong despite heavy falls in the broader market, falling just $1 1/16 to $43 7/8. At that price, Tellabs offer of 0.8 shares for every Ciena share values Ciena at about $3.5bn – more than twice Ciena's market capitalisation.

Tellabs has refused to comment on whether it will stick by the current takeover agreement. The deal has already been renegotiated. Ciena's shares have now lost 80 per cent of their value over the past few weeks. The problems started with a profits warning and have been compounded by two lost business contracts.
Roger Taylor, San Francisco

TELECOMMUNICATIONS

Bell Canada close to Korea buy

Bell Canada International has received regulatory and shareholder approval to acquire 24 per cent of Hansol PCS, the South Korean wireless service provider, for US$159m. Under terms of the agreement, investment funds sponsored by American International Group, the US insurance company, will also acquire about 16 per cent of the Korean consortium.

With the acquisition, Bell Canada International, a division of BCE, the Canadian telecommunications group, has doubled its worldwide subscriber base. Derek Burney, BCI chief executive, said the deal provided the group with balanced growth opportunities. The company's investments had previously been largely concentrated in Latin America.
Scott Morrison, Toronto

OIL AND GAS

Petition hurts Unocal image

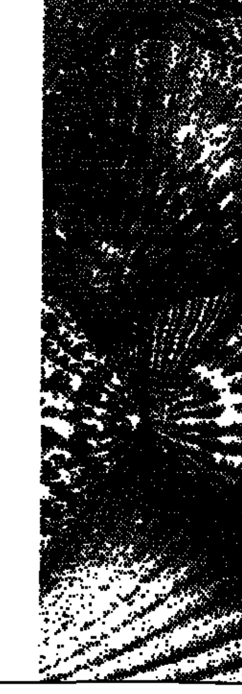
The Union Oil Company of California (Unocal) suffered a public relations debacle yesterday when a coalition of 19 environmental, women's rights, human rights and consumer advocate groups petitioned California's Attorney General to revoke the company's licence to operate in that state.

The petition accused Unocal, which had revenues of more than $6bn last year, of worker rights and environmental misconduct.

The petitioners were particularly concerned with the construction of a gas pipeline through Burma to Thailand. "The building of the pipeline in Burma has been done with forced labour and caused the forced relocation of villagers in the area," alleged Robert Benson, the lawyer who wrote the petition.

Unocal dismissed the allegations as "ludicrous". "I admit we've made some mistakes," said Barry Lane, a spokesman for the group. "But we've always taken responsibility for our actions." The company has admitted to numerous Occupations Safety and Health Act violations; in its annual report, the group said it may bear some of the liability for 82 toxic waste sites. **Victoria Griffith, Boston**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com



صكرا من الاجل

INDUSTRIALS ANALYSTS EXPECT US GROUP TO RETURN WITH INCREASED OFFER

Wassall's £351m outbids Cooper for TLG

By Susanna Voyle

Wassall, the industrial conglomerate has trumped a bid by Cooper Industries of the US for the UK lighting group TLG with a £351m ($579m) cash offer.

The announcement late yesterday afternoon of the 175p-a-share bid sent TLG shares 8p higher to 177¼p, on speculation that Cooper, the Houston-based lighting group, could raise the 160p-a-share offer it made at the end of last week.

Wassall already owns or controls 23.9 per cent of TLG – a stake it started to build in February last year. Wassal shares fell 5p to 245p.

Cooper said it was too early to say what action it might now take. TLG advised its shareholders not to take any action "pending clarification" from Cooper.

"We are at this time reviewing options to determine what additional steps we may take," said John Breed, a Cooper director. "We will look at every option. We cannot rule out anything."

TLG, the former Thorn Lighting Group, bought from Thorn EMI by its management in 1994, is the second biggest company in the European lighting market after Philips. The industry faces consolidation because of over-capacity.

Christopher Miller, Wassall chief executive, said the group had been considering a bid for some time. "We think that we can do a good job with TLG," said Mr Miller.

"It is essentially a sound company with good products, good market share and a good geographical spread. With some love and care, our management and some money invested, it could do well."

At the time of its bid, Cooper had said it wanted to build a global lighting business. Its offer represented a premium of 45 per cent to the closing price of TLG shares the day before it announced it was in takeover talks.

Andrew Bryant, of BT Alex Brown, said Cooper was in a strategically stronger position. "They are consolidating this industry so they have got considerable benefits ahead with rationalisation costs to come out. Wassall would be buying it as a standalone business."

Wassall was advised by Merrill Lynch and TLG by Dresdner Kleinwort Benson. Warburg Dillon Read is acting for Cooper.

Carlton in talks with Arsenal

By Patrick Harverson and Cathy Newman

Carlton Communications emerged yesterday as the next possible buyer of a top football club when the media group announced it had held "exploratory" talks with Arsenal that might eventually lead to a takeover of the Premier League champions.

The news came a day after British Sky Broadcasting, the satellite broadcaster, unveiled a £623m ($1.03bn) agreed bid for Manchester United, Arsenal's rival.

Carlton and Arsenal said they had held a "very preliminary discussion on ways in which the two companies can work together". They said that although "one possible outcome could be an offer being made by Carlton for Arsenal, the talks were too preliminary in nature to assess the probability of any outcome".

Carlton played down the possibility of a bid for the north London club. The group is believed to have had contact with other clubs. The Arsenal talks may lead to the creation of a joint venture TV channel rather than a takeover.

Arsenal shares, traded on the unofficial Ofex market, rose sharply. Accurate information on the share price was not available, but one stock broker estimated Arsenal shares had risen from £2,900 to £4,100, valuing the club at almost £230m.

Analysts were not surprised by the talks. One said it "smacked of Johnny-come-lately", following BSkyB's proposed takeover of Manchester United.

Observers said Arsenal was a "more local business" than United with its global fan-base, and its potential to generate revenues from pay-per-view matches was more limited. One possibility is for Carlton to develop a channel with Arsenal and offer it to subscribers to On Digital, the terrestrial pay-TV service in which Carlton has a 50 per cent stake.

For Arsenal, the appeal of a sale to Carlton would be the access to financing for the club's development.

BTR shares tumble on downgrade

By Andrew Edgecliffe-Johnson

Shares in BTR, the former conglomerate which has sold off all but its engineering businesses, plunged 18 per cent to a 14-year low yesterday, as another set of disappointing results forced analysts to cut profit forecasts by more than £100m ($165m).

The group, whose shares have lagged more than 70 per cent behind the market since January 1996, said it would accelerate a previously-planned £500m share buy-back, and step up cost-cutting and cash generation plans.

The shares dropped 24½p to 107¾p, however, and were not revived by a mid-afternoon announcement that the buy-back would begin immediately and that some directors would buy shares for their own accounts.

Analysts who had thought as recently as January that BTR's 1998 profits would exceed £1bn, cut their estimates yesterday from about £770m to £660m – half the £1.3bn which BTR made in 1997.

A £407m loss, reflecting goodwill adjustments following the group's £5.3bn disposal programme, knocked BTR to a £45m pre-tax loss for the six months to June 30, compared with a £516m profit the previous time.

Brokers were disappointed that the ongoing engineering group showed no sales growth in the period, when a 4 per cent advance had been hoped for. Operating profits from engineering slipped 3 per cent to £337m, but would have been down 12 per cent were it not for the benefits of recent acquisitions.

Ian Strachan, chief executive, said that adverse economic conditions in South America and south-east Asia had "contributed to a level of performance which has not met our expectations."

Mr Strachan now plans to cut annual costs by a further £25m by cutting another 1,000 jobs in addition to the 3,500 lost since he announced a £75m cost-saving programme in September 1996. He is looking for another £30m savings in purchasing and overheads, compared to the £18m announced two years ago. The full benefits are not expected until late 1999.

Lex, Page 12

Ian Strachan: looking for further cost savings Ashley Ashwood

BAe and Sema part ways

By Christopher Price and Alexander Nicoll

British Aerospace is paying £77m ($127m) to buy the 50 per cent interest in in BAeSema, the naval systems specialist, held by Anglo-French computer software house Sema Group.

BAe's acquisition of Sema's stake in the seven-year-old joint venture, is part of a series of steps to strengthen the UK group's presence in defence systems. It follows BAe's purchase of the UK assets of Siemens Plessey and a 49 per cent stake in STN Atlas of Germany.

BAe is especially keen to be seen as a prime contractor in both naval and aircraft systems to strengthen its chances of winning the contract to oversee construction of two new aircraft carriers planned for the Royal Navy.

Alex Dorrian, managing director of BAeSema, said it had delivered combat systems for three South Korean destroyers and was in the final stages of negotiating on a further three.

BAeSema, which employs about 1,500 people in the UK, was prime contractor for the construction of HMS Scott, the Navy's new hydrographic survey ship, and supplies command systems for Type 23 frigates and nuclear submarines. It is bidding to supply command systems for the Navy's new Horizon frigates.

Sema's withdrawal is a further step in its strategy of moving away from its reliance on the defence industry. The company said the disposal underlined its strategy of concentrating on faster-growing sectors such as financial services and telecommunications.

Pierre Bonelli, chief executive, said the outlook for second-half trading was "very encouraging".

Acquisitions, particularly in the US, remained a priority. Sema has previously stated it is willing to spend up to $1bn on US acquisitions.

UB growth strategy 'on track'

By John Willman

United Biscuits said yesterday that the growth phase of its recovery strategy was on track, as it reported pre-tax profits up from £13.7m to £44.8m ($73.9m) for the 28 weeks to July 18.

The improvement came after a sharp reduction in exceptional charges and interest payments.

Last year there was a £31.4m restructuring cost, while this year's £6.4m included £4.3m for dealing with the millennium bomb. The shares closed up 8p at 203p.

At the operating level, profits slipped 7 per cent to £47.7m. Interest charges fell £8.6m to £2.4m, following the sale of UB's Australian snack subsidiary at the end of last year.

But Eric Nicoli, chief executive, said the operating profit would have been higher had the group not invested an extra £12m in marketing – taking it up from under 12 per cent to just over 13 per cent of sales.

The group was in discussions to buy the biscuit business of Wedel, a Polish subsidiary of PepsiCo. UB had no interest in bidding for parts of Booker, the food distributor, or Hillsdown, the restructuring conglomerate that includes many branded food businesses.

Turnover fell 10 per cent to £825.5m, reflecting disposals. On continuing operations, the fall was 2.75 per cent, and was up 5 per cent at constant exchange rates, the group said.

The UK foods division had been hit by rising seafood prices and a slowdown in the savoury snack market.

Centrica in line to acquire a power station

By Andrew Taylor

Britain's biggest gas supplier may buy a power station from National Power or PowerGen, the country's largest fossil-fuel generators.

Centrica, which yesterday reported its first profit since it demerged from British Gas in February 1997, is determined to become a dominant force in the domestic electricity market.

The group made pre-tax profits of £90m ($148m) in the six months to June 30 against losses of £149m. It has signed up 440,000 electricity customers, and the number is increasing at the rate of 20,000 a week.

Roy Gardner, chief executive, said Centrica would consider, at the end of this year, whether to pay its first return to shareholders. This could initially be in the form of a large one-off payment.

The full effects of gas and electricity liberalisation would have to be considered before any payment was made, said Mr Gardner.

Centrica's shares closed 9¼p higher at 108p.

Competition for 24m domestic electricity customers is to be phased in, starting next Monday and concluding in June 1999. Centrica wants to supply power to at least 2.5m electricity customers alongside its 18.6m domestic gas customers.

It costs the group £30-£40 to acquire an electricity customer, said Mr Gardner. On this basis it could take up to two-and-a-half years for a contract to move into profit. The group is offering average savings of about 12 per cent to power customers.

Mr Gardner ruled out acquiring customers by bidding for a regional electricity supplier. Prices being paid for suppliers were "too high".

However, the group has approached National Power and PowerGen with a view to buying power stations. The generators are under pressure from the regulator to sell under-used coal-fired power stations to increase competition.

Turnover dipped by £97m to £4.13bn.

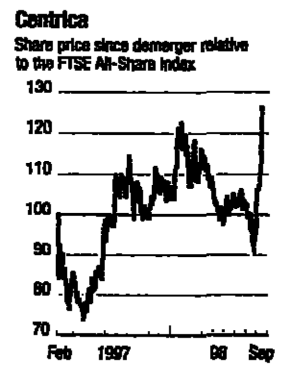
COMMENT

Centrica

Who said utilities were dull? A 9 per cent jump in Centrica's shares, even on the back of strong results, was eyebrow-raising. Admittedly there was good news on the cash-flow front, a turnaround in the service business and the prospect of a return of cash to shareholders. But the euphoric response was also driven by relief. The company's share of the domestic gas market has declined, but it is not collapsing. This is despite the fact that rival suppliers pay less for their gas, and then undercut Centrica. The company reckons the reason its customers do not defect in droves is its level of service. Others call it inertia. Centrica's chances of retaining its customers are further enhanced by its entry into the electricity market. Its "dual fuel" offer rivals those promoted by the electricity companies. But the latter are sharpening their competitive positions by integrating supply businesses with power generation. Centrica will have to follow suit, and may find itself paying more than it would like, now that a moratorium on building gas-fired power stations has boosted the value of such assets.

Centrica

Share price since demerger relative to the FTSE All-Share Index



Source: Datastream/ICV

Carlton/Arsenal

The urge to chant boring, boring Carlton is almost irresistible. Its discussions with Arsenal look like a potential "me-too" version of the British Sky Broadcasting/Manchester United deal, only less glamorous. Arsenal has far fewer fans than United. A new manager has revitalised the London club's performance, but how many are cheering in Manchester? In terms of branding power, Arsenal is still a regional player.

But if buying a club makes sense for one pay-television outfit, BSkyB, it has value for its new rival, OnDigital, in which Carlton is a shareholder. Owning Arsenal should give Carlton some leverage when television rights come up for renewal. If by then clubs are cutting their own deals, Carlton will also have a platform on which to screen endless Arsenal matches. Pay-television is a small part of Carlton's business. And there may not be many opportunities to exploit Arsenal across Carlton's London ITV franchise. Most matches make more money if televised on a subscription basis. But Carlton could yet have the last laugh if BSkyB's more audacious tackle gets snarled up in the Monopolies Commission.

Hanson plans US purchases

By Jonathan Guthrie

Hanson is planning a US acquisition programme following a series of disposals that have turned it into a business focused on building materials. The group is prepared to spend net cash of £186.6m ($307.9m) and take on gearing of up to 30 per cent, putting an upper limit on spending of £700m.

Andrew Dougal, chief executive, said: "Underlying demand, prices and margins are all moving in the right direction in the US. We already have acquisitions in the pipeline."

Hanson wants to bolster its position in the 21 states where it has a presence, including its strongholds of California, Georgia, North Carolina, Pennsylvania and Texas.

Cornerstone, its US subsidiary, raised trading profits 61 per cent to £40.6m in the six months to June 30, as a result of higher prices and contributions from acquisitions. This compared with a 2.2 per cent increase to £47.6m from ARC, the company's UK aggregates business.

Kevin Cammack, an analyst at Merrill Lynch said: "The US numbers are well ahead of expectations and that is where growth will come from in future.

Group pre-tax profits were 64 per cent higher at £78.8m, including a £33.6m loss (£49.1m) on the sale of non-core subsidiaries.

Pre-exceptional profits were 16 per cent higher at £112.4m.

Turnover increases to £712.6m (£695m), earnings per share were 10.1p (4.9p) and the dividend is held at 4p.

Credit Lyonnais, the broker, is forecasting full-year profits of £243m.

The shares closed up 9p at 342p.

RESULTS

Company	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ask Central Φ	6 mths to June 28	10	(5.15)	1.61	(0.65)	6†	(2.9)	0.5	Nov 12	0.33	-	1
Beattie (James)	6 mths to July 31	44.5	(43.6)	2.66	(2.18)	4.4	(3.6)	3	Nov 2	2.5	-	9.75
Bentalls	6 mths to Aug 1	45.5	(45.5)	0.192L	(7.98♥)	0.32L	(22.46)	0.7	Nov 2	0.7	-	13.85
Booker	24 weeks to June 13	2,288	(2,346)	19.1♥	(17.2♠)	5.7	(4.1)	4.2	-	8.3	-	24
British Mohair	6 mths to June 30	23.3	(21.4)	0.285	(0.521)	1.51	(2.67)	1.4	Oct 23	1.4	-	4
BS	6 mths to June 30	8.55	(3.34)	0.175	(0.116)	3.4	(1.71)	1.5	Oct 23	1.5	-	5
BTR	6 mths to June 30★	3,374	(3,868)	45L♠	(516)	6.3L	(8.7)	4§	Nov 27	4§	-	9.6§
Centrica	6 mths to June 30	4,125	(4,222)	90♠	(149L♠)	1.2	(4.9L)	-	-	-	-	-
Chelsfield	6 mths to June 30	70.6	(61.3)	11.2	(10)	3.6	(3.3)	1.4	Oct 30	1.3	-	3.8
Courtaulds Textiles	6 mths to June 30	398.2	(422.7)	12	(10.4)	8.4	(7.1)	5.2	Oct 23	5.2	-	15.3
Daniels (S)	6 mths to June 30	31.3	(11.5)	2.33	(0.583♥)	1.48†	(1.05)	0.4	Nov 2	0.2	-	0.5
Davis Service	6 mths to June 30	187.6	(202.3)	21.7♠	(16.1♠)	10.69	(8.55)	4.1	Oct 23	3.73	-	11.33
Dawsongroup	6 mths to June 30	27.7	(23.8)	3.93	(2.95)	8.1	(6.3)	2.5	Nov 2	2.1	-	6.7
EBC	6 mths to June 30	36.5	(31.5)	0.56	(0.458)	3.6✣	(2.69)	1.2	Oct 16	1.1	-	2.85
Furlong Homes	6 mths to June 30	11.6	(6.9)	1.53	(0.75)	17.1	(8.5)	3.2	Oct 16	2.3	-	5.5
Gallaher	6 mths to June 30	1,946	(2,064)	128.2	(166.7)	12.6	(17.9)	6.8	Nov 2	9.625	-	19.25
GEO Interactive $	6 mths to June 30	0.656	(0.022)	8.1L	(3.53L)	7.9L†	(3.5L)	-	-	-	-	-
Goldsmiths	6 mths to Aug 1	36.9	(31.6)	0.588L	(0.305L)	1.68L	(0.88L)	3	Dec 14	2.75	-	8
Hanson	6 mths to June 30◆	962.5	(1,174)	78.8♠	(47.8♠)	10.1	(4.9)	4	Oct 23	4	-	12
Heywood Williams	6 mths to June 30	346.7	(305)	19.4	(21.8♥)	13.2	(15.2)	5	Oct 16	5	-	13.8
Laing (John)	6 mths to June 30	810.7	(661.7)	18.4♥	(12.4♥)	13.6	(9)	3.75	Nov 20	3.5	-	10.5
Laird	6 mths to June 30	547.7	(502.3)	20.5	(34.7)	10.8	(18.2)	5.4§	Oct 30	5.4§	-	14.3§
Limelight	6 mths to June 30	88.2	(80.4)	4.13	(0.094)	2.9	(0.6L)	-	-	-	-	-
Linton Park	6 mths to June 30	105.2	(87)	17.8	(6.85)	51.3	(23.4)	7.25	Nov 9	6.25	-	22.25
Mirror Group	27 weeks to July 5	355	(271)	38♠	(44)	5.3†	(7.4)	1.6	Nov 13	1.5	-	5
Mowlem (John)	6 mths to June 30	714	(692)	13.8	(31.5L)	4.1	(18.3L)	2	Dec 31	1.5	-	4
National Express	6 mths to June 30	641	(473)	35.1♠	(23.5♠)	22.9†	(16.4)	4.7	Oct 23	4	-	13.5
Oldham	6 mths to June 30★	10.2‡	(19.1‡)	8.37♥	(7.4)	11.7	(9.8)	1.6	Nov 10	1.5	-	4.5
Pendragon	6 mths to June 30	645.9	(354.7)	10.4	(6.68)	11.7†	(10.7)	4	Oct 9	3.8	-	10.7
Peterhouse	6 mths to June 30	33.1	(6.71)	1.4	(0.375)	5.9†	(3.9)	2.1	Oct 23	1.7	-	3.7
Quadrant	Yr to May 31☆	27	(47.7)	0.646L♠	(9.79L♠)	11.1L†	(470.1L)	nil	-	nil	nil	nil
Queens Moat Houses	6 mths to June 28	194.9	(194.9)	18.8♥	(5♠)	4.6	(1.2)	nil	-	nil	nil	nil
Rathbone Brothers	6 mths to June 30	30.3	(24.4)	9.06	(6.31)	20.25	(15.38)	7	Oct 12	5	-	14
Rio Tinto	6 mths to June30■	4,461	(4,676)	942	(1,021)	39.4†	(42.5)	9.98§	Oct 19	10.37§	-	31.92§
Royal Doulton	6 mths to June 30	108.5	(111.6)	2.72	(1.03)	3.2	(1.3)	2.3	Nov 3	2.3	-	10
Sema	6 mths to June 30	610.6	(559.5)	31.1	(26.2)	4.83	(4.01)	0.84	Nov 2	0.7	-	1.83
Sirdar	Yr to June 30	56	(52.6)	6.17♠	(5.25)	8.25	(6.92)	3.8	Nov 23	3.7	5.65	5.49
Soco International	6 mths to June 30	10.2	(1.08)	1.4	(0.334)	0.8	(0.5)	-	-	-	-	-
Spirax Sarco	6 mths to June 30	122.8	(131.3)	8.47♠	(22.4)	6.6	(17.4)	5	Nov 13	4.9§	-	15.8
Taurus	6 mths to June 30	0.702	(0.361)	3.5L♠	(0.085L)	39.7L	(1L)	nil	-	nil	-	nil
Trafficmaster	6 mths to June 30	4.16	(2.89)	1.01	(0.594)	3.5	(2.1L)	-	-	-	-	-
United Biscuits	28 wks to July 18	825.5	(802.8)	44.8	(13.7)	6.1	(0.6)	3.6	Jan 4	3.5	-	10.5
Yorklyde	6 mths to July 31	11	(11.3)	0.308	(0.773)	2.1	(4.7)	1.5	Dec 1	2.65	-	5
Yorkshire	6 mths to June 30	32.8	(65.7)	3.09	(5.51)	5.1	(8.6)	3.05	Oct 30	3.05	-	9.6

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beacon	Yr to June 30	181.6	(149.1)	0.362	(0.367)	1.92	(1.93)	1.7	Oct 28	1.6	1.7	1.6
Highcroft	6 mths to June 30	-	(-)	0.641	(0.519)	11.8	(9.6)	2.5	Nov 2	2.35	-	6.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ★Comparatives restated. ✣On reduced capital. ◆Comparatives pro forma. $Results in dollars. §Foreign income dividend. ■US currency except dividends. ‡Net income. ☆Comparatives for 15 months.

Prices for electricity covenanted for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 11.09.98 – Final Prices for Trading on 14.09.98

CONTRACTS AND TENDERS

GOVERNMENT OF THE REPUBLIC OF ZIMBABWE

MINISTRY OF TRANSPORT & ENERGY

CALL FOR EXPRESSION OF INTEREST IN THE CONCESSION TO MANAGE AND OPERATE THE ZIMBABWE RAILWAY INFRASTRUCTURE

The Government of the Republic of Zimbabwe has decided, as a part of its Economic Reform Programme, to transfer the management and operation of the infrastructure portion of the National Railways of Zimbabwe (NRZ) to a concessionaire. The Government's objectives in offering a concession for the infrastructure entity are to ensure that:

- The railway infrastructure will be maintained to the necessary standard for safe, reliable and cost effective railway operations in Zimbabwe.
- Investment is secured for the railway infrastructure to reduce the fiscal burden and foster the development of competitive railway transport in Zimbabwe.
- The infrastructure is managed and operated in line with best international practice employing modern technology and methods.
- Local expertise is retained and developed to manage and operate the infrastructure as a viable commercial entity.

The NRZ network consists of 2,592 route km of track, of which 313 km is equipped with overhead electrification at 25 kV 50 Hz AC. The main line largely consists of continuous welded rail on concrete sleepers. Centralised Train Control (CTC) extends over 1,580 route km and 94% of the main line is equipped with electric signalling.

Freight carried in 1997/8 was 12 428 million tonnes with an average haul of 392 km. Passenger Services operate each way overnight between Harare and Mutare, Harare and Bulawayo, and Bulawayo and Victoria Falls. There are as yet no commuter services. Cross border passenger services operate from both Harare and Bulawayo to Johannesburg via Beitbridge and from Bulawayo to Lobatse via Plumtree. Contract arrangements for infrastructure access will be required with the operators of these services.

The concessionaire will be a company or consortium with wide experience of railway infrastructure maintenance and renewal and of the planning and control of train operations. Interested prospective bidders should submit a comprehensive Expression of Interest detailing:

- Experience of infrastructure maintenance and renewal plus train planning and control.
- Understanding of modern technology and techniques as applied in the railway industry.
- Experience of business process re-engineering and details of management capability.
- Financial standing of the company, or of each company involved in a consortium.
- Any litigation, judgements and enforcement orders against the company, its directors, company officers or major shareholders.

Pre-qualification will be based on an evaluation of the EOIs submitted, and pre-qualified parties will be invited to attend a pre-bid conference in Bulawayo on 9th October. Bidding for the concession will be through a formal Request for Proposals process, and ranking of the bidders for negotiations will be done on the basis of technical and financial evaluation of the proposals submitted.

Ministry of Transport & Energy;
Secretary for Transport & Energy
16th Floor, Room 91 or 103
Kaguvi Building
4th Street / Central Avenue
HARARE
ZIMBABWE

Expressions of Interest submissions, in English, must be delivered to the Ministry of Transport and Energy at the above address by noon (GMT+2), Friday 25th September 1998

REPUBLIC OF CAMEROON
MINISTRY OF THE ECONOMY AND FINANCE

INTERNATIONAL CALL FOR BIDS FOR THE PRIVATISATION OF THE CAMEROON INSURANCE COMPANY (SOCAR)

As part of its program of restructuring and privatising public and semi-public enterprises, the Government of Cameroon wishes to establish two new insurance companies (one general insurance and the other life insurance), in collaboration with private sector investors, to replace SOCAR Insurance Company.

Cameroon is at the centre of an economic and monetary union (CEMAC) grouping six countries in central Africa. Investors will enjoy immediate access to the insurance markets of Cameroon's neighbours.

SOCAR was created in September 1973. Its shares are held by the Cameroonian government (36%), public-sector entities(20%) and various foreign interests (44%). For many years, SOCAR was the most important insurance company in not only Cameroon but also in francophone Black Africa.

An international call for bids is being launched to find a shareholder to acquire a majority stake of at least 51% in the new companies. The minimum amount of capital is set at CFAF 2 Billion (FF 20 Million or USD 3.33 Million) for the general insurance company and at CFAF 250 Million (FF 2.5 Million or USD 416,000) for the life insurance company.

Parties seeking to take a majority stake in either of the two new insurance companies should be insurance or reinsurance companies with reputable and financially sound backgrounds. The government will allow companies without the necessary insurance or reinsurance expertise to take a majority stake in the new insurance companies under conditions spelled out in the information memorandum and terms of reference.

Potential investors can obtain an English or French information memorandum on this privatisation project along with a complete package of tender documents by contacting the individuals noted below.

Investors can join with Cameroonian or foreign interests to submit a joint bid. Those investors willing to take a minority interest in the new companies can submit an expression of interest to the Insurance Division of the Ministry of the Economy and Finance's offices. Once the winning bid has been selected, they will be advised of the price of shares established through the bidding process and invited to subscribe for shares at that same price.

Bids should be received by no later than Thursday, October 1st at the Ministry of the Economy and Finance's offices (as below).

M. Samuel Obam-Mbom
Director of Economic Controls and External Finance
Ministry of Economy and Finance
Postal Box 24
Yaoundé, Republic of Cameroon
Tel: (237) 22 49 53 or (237) 22 19 63 or (237) 21 49 75
Fax: (237) 23 35 22 or (237) 23 34 85 or (237) 23 35 27

Or

Mr Georges Ononemang
Chief, Insurance Division
Ministry of the Economy and Finance
Postal Box 24
Yaoundé, Republic of Cameroon
Tel: (237) 22 21 09

The Minister of State for the Economy and Finance
LE MINISTRE DELEGUE
Pr. Jean Marie GANKOU

PUBLIC NOTICE

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to Belgacom UK Limited, Cyberlight Europe plc, Alpha Telecom Limited, MFNRAC Limited, Level 3 Communications Limited, NTT Europe Limited, Call-Net (UK) Limited and Zereau Limited, ("the Licensees") to run telecommunication systems in the United Kingdom. The licences will be for a period of six months, thereafter being subject to revocation on one month's notice.
2. The principal effect of each licence will be to enable each Licensee to install and run telecommunication systems in the United Kingdom which may be connected to telecommunication systems outside the United Kingdom, and to provide a wide range of services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each licence authorises connection to a wide range of other systems, including earth orbiting apparatus.
3. Each licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant each licence in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the Untied Kingdom for the provision of services of the type authorised, will promote the interest of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code") to Level 3 Communications Limited and Zereau Limited subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in its licence to its powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to Level 3 Communications Limited and Zereau Limited is that it will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under its proposed licence.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee to whom the Code is applied can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licences, the application of the Code to Level 3 Communications Limited and Zereau Limited and the proposed exceptions and conditions referred to above. They should be made in writing by 12 October 1998 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.74 Grey, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can be freely obtained by writing to the Department or by calling 0171 215 1756.

Anthony J. Eden-Brown
Department of Trade and Industry — 11 September 1998

ETBA Finance

ECONOMIC & FINANCIAL SERVICES S.A.

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF HELLENIC HOSPITAL SUPPLIES INDUSTRY (ELBIONY) SA

ETBA FINANCE ECONOMIC AND FINANCIAL S.A. (formerly GREEK EXPORTS S.A.), established in Athens (1 Eratosthenous St.), in its capacity as financial advisor in accordance with articles 1-13 of Law 2000/1991 concerning denationalisation, Decision no. 22341/3.4.1998 of the bi-ministerial committee on denationalisations (DEA) and the contract signed with ELBIONY S.A. on 25/6/1998 for the sale of all of its shares

INVITES

interested prospective buyers to express their interest by submitting to the Advisor (1 Eratosthenous and Vas. Constantinou Streets, Athens, Greece) by **15:00 hrs. on 30 September 1998** a non-binding letter of intent for the purchase of the shares of ELBIONY S.A. This letter must be accompanied by an information file containing full details regarding the prospective buyer and, more specifically, for a company, regarding its ownership, administration and financial activity during the past three (3) years.

Summary data on the company for sale

ELBIONY S.A. is established on rented space in Athens at 3 G. Gennadiou Street and is the only unit in Greece producing one-shot sterilised plastic syringes and needles and owns two production units.

The first is established in Corinth on a plot of land 20,904m² in area with buildings covering 5,142m², producing one-shot syringes and needles.

The second is established at Mandra, Attica, on a plot of land 17,000m² in area with buildings covering 2,683m², producing sterilised hospital supplies

Both units were established during the years 1978-79 by the DIMES company. Following financial problems they were transferred in 1984 to the Industrial Reconstruction Organisation (I.R.O) and in 1987 to the Hellenic Pharmaceuticals Organisation (E.O.Ph.) through its subsidiary company ELBIONY S.A. set up for this purpose by means of the procedure for special liquidation. Today, 95% of ELBIONY S.A.'s shares are owned by E.O.Ph. and 5% by the Institute for Pharmaceutical Research (I.Ph E.T.).

The sale of ELBIONY S.A. was decided upon within the framework of the government's denationalisation policy.

Sale Procedure and Time Frame

1. **Shortlisting - invitation for expressions of interest - submission of binding offers**
   Following the submission of expressions of interest (by 30/9/1998) a shortlist will be drawn up by the Financial Advisor and the seller. Preference will be given to buyers who are actively engaged in the broader health sector. The shortlisted prospects will receive an invitation to submit a binding offer and, on signing a confidentiality agreement, will receive the Offering Memorandum from the Advisor accompanied by the terms of the tender and a specimen of the letter of guarantee.
2. **Additional Information**
   In the next stage of the procedure, interested buyers will be given access to confidential data, may visit the company's installations and may ask questions. This informative procedure will end of 30/10/1998.
3. **Submission of binding offers - assessment of offers - signature of sale contract**
   On the basis of the tender, interested parties may submit to the Advisor **by 14:00 hrs. on 6/11/1998** at the Advisor's offices at 1 Eratosthenous and Vas. Constantinou Streets, binding offers accompanied by a letter of guarantee for the amount of **250 million drachmas.**
   These offers will be opened immediately in the presence of all interested parties and their content will be announced
   Following the assessment of the offers and the adjudication to the highest bidder, the relative contract will be signed for the transfer of the total number of shares.

Basic terms for the submission of offers and letter of guarantee

1. Offers must be submitted within the time limit and must state the price, the method and time of payment, the currency and the rate of interest for any part on credit. Offers containing terms or conditions contingent on the binding nature of the offer will not be accepted.
2. Essential factors in the assessment of offers are the creditworthiness and reliability of the buyer, the buyer's activity in the broader health field, the size of the offered price; the number of assured job situations, the business plan and the height of investments to be made; the commitment to continuing the operation of the plant and finally the guarantees provided for abiding by the above factors.
3. All expenses arising from the sale, according to law, and other essential acts will burden the buyer
4. On penalty of invalidation, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, as per specimen contained in the Offering Memorandum, by which the content of the offer will be covered. The letter must be valid until its return to the guarantor bank.
5. By submitting an expression of interest, prospective buyers agree to the present terms and recognise the power of the sellers to conclude or terminate this sale or modify unilaterally the above terms at their absolute discretion and
6. Because a significant part of the informative material prospective buyers will receive, will be in Greek, they will have to make their own arrangements for translation, if necessary.

For additional information, interested buyers may apply to
ETBA FINANCE S.A.,
1 Eratosthenous and Vas. Constantinou Streets, Athens, Greece.
Tel. (301) 7260210, 7260258 and 7260790. Fax: (301) 7260864
attention Messrs. Ilias Nicolaou and Constantino Georgis

BUSINESSES FOR SALE

ETTRICK & YARROW SPINNERS LIMITED

(IN PROVISIONAL LIQUIDATION)

YARN SPINNING FACILITY

The Provisional Liquidator, Ian Rankin, offers for sale the whole production facility of this well established yarn spinning mill situated in Selkirk, in the Scottish Borders.

Principal features include:

- freehold property of approximately 72,000 sq ft
- modern self contained production facility
- on-site automated blending, carding, spinning and winding
- quality machinery by Houget Duesberg-Bosson, Walker & Smith, Jungbaur, Savio and others
- 15-20 tonnes per week yarn capability
- suppliers to knitwear, upholstery and carpet industries

For further information, please contact Scott Milne of PricewaterhouseCoopers, Kintyre House, 209 West George Street, Glasgow G2 2LW. Tel: 0141 226 4894. Fax: 0141 242 7480.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

PRECISION ENGINEERING

Precision Engineering company, with a strong customer base are seeking to expand, by the purchase of a similar company, or by forming a merger with a like business. The business should preferably be situated in the West Midlands area with a turnover in excess of £1m.

All offers considered, but the company should have a strong management structure enabling it to integrate and compete in a larger market.

All replies in strict confidence to Box B6072, Financial Times One Southwark Bridge, London SE1 9HL

PUBLIC NOTICES

We, Komerční Banka a.s., being the financing bank and Mortgagee of the vessels determined hereunder, understand from the S&P market that the following vessels are being circulated for sale

We would like to announce to potential buyers that ms *Tatry*, ms *Sněžka*, ms *Jan Hus*, ms *Jan Žižka*, ms *Prokop Holý* and ms *Jan Želivský* flying the Maltese flag, are under a first priority statutory mortgage. The circulation for sale of these vessels has been done without the approval of the Mortgagee and without the information that the vessels are the subject of a mortgage.

Any offer of these ships for sale, without prior written consent of the Mortgagee is considered to be a breach of the loan agreement and security documents

Komerční banka a.s. Prague, Czech Republic.

BUSINESSES FOR SALE

Appear in the Financial Times every Tuesday, Friday and Saturday.
For further information, or to advertise in this section, please contact
Melanie Miles
Tel: 0171 873 3349
Fax: 0171 873 3064

BUSINESSES FOR SALE

BUSINESS FOR SALE

The Receiver and Manager Mr. Peter E. Williams has prepared an Invitation to Treat for parties interested in the acquisition of the business and assets of:

WEXFORD COURT HOTEL LIMITED (IN RECEIVERSHIP)

OTHER INFORMATION

- Owner and operator of a well-established Jamaica north coast hotel.
- Sixty-one room property, inclusive of restaurant, bar, swimming pool and conference facilities.
- Located in the heart of the tourist district on Gloucester Avenue, Montego Bay, Jamaica.
- Short walking distance from beaches, including the world-famous Doctors Cave Beach and main shopping areas.
- Average annual occupancy level of 64% for 1997/98.

Parties interested in obtaining the Invitation to Treat will be asked to sign a confidentiality letter. To obtain a copy of the Invitation to Treat, seriously interested parties only should request in writing from Norma Foster of Price Waterhouse Associates on or before Friday, September [illegible], 1998.

Price Waterhouse Associates
32 Market Street
PO Box 180
Montego Bay, Jamaica

Telephone: 876-952-[illegible]
Fax: 876-952-[illegible]

BUSINESSES FOR SALE

CREATIVE CORPORATE AND CONSUMER EVENT MARKETING COMPANY

FOR SALE

This profitable company, established 3 years ago, based in Hamburg Germany is a creative event design company, sometimes acting as subcontractor for advertising companies with additional in house production facilities and event props warehousing and hire service

Main assets include:
- Turnover DM3.2 million
- National and international blue chip client base
- Comprehensive range of props and machinery
- Excellent reputation for creativeness and quality
- 8 employees, permanent freelancers
- Large base of reliable freelance support staff

PRINCIPALS ONLY

Box B6033, Financial Times, One Southwark Bridge, London SE1 9HL

Manufacturer and Wholesaler of Envelopes for sale as a going concern

Principal features include:-
- Turnover of £2 million
- Spacious warehouse facility on short term lease based in Wales
- Comprehensive asset base including two principal machines

For further information please write to the following -
138/140 Southwark Street
London SE1 0SW

SPECIALIST TEAM & BUSINESS

Latest media, award winning software company. Turnover £330K +, profits £60K+, cash rich. Founder/CEO to give time to other interests after suitable transition. **£475K for rapid disposal.**

APPLY IN WRITING, EMAIL OR FAX:
NM CONSULTANCY,
PO BOX 1300, DORCHESTER, DORSET DT1 1FN, UK.
Tel: + 44 (0) 1305 263662
Fax + 44 (0) 1305 262941
nmprocon@compuserve.com

WHOLESALE PAPER MERCHANTS

FOR SALE as a going concern

Principal features include:
- Company established for over 20 years
- Turnover of £5 million
- Strong customer base
- Own converting facility
- Own distribution network within M25 and South Coast

FOR FURTHER INFORMATION PLEASE WRITE TO THE FOLLOWING:
138/140 Southwark Street
London SE1 0SW

WEEKLY SPORTS TITLE

For Sale. Long Established, private owner.
Turnover *£1m* +
Box B6060, Financial Times, One Southwark Bridge, London SE1 9HL

London Residential Care Home

Substantial property in prime location, complying with current regulations.
Excellent trading record.
Turnover IRO £805,000 per annum.
High Net Profit.
Run under Management.
Price £1,950,000 Freehold
Write to Box B6072, Financial Times One Southwark Bridge London SE1 9HL

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
No. 004467 of 1998
IN THE MATTER OF
TOWN CENTRE SECURITIES PLC
and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court (Chancery Division) dated 2 September 1998 confirming the reduction of the capital of the abovenamed Company from £43,500,000 divided into 174,000,000 ordinary shares of 25 pence each to £41,219,727.75 divided into 164,878,911 ordinary shares of 25 pence each and the cancellation of the Share Premium Account together with the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned act were registered with the Registrar of Companies on 3 September 1998

Dated this 11th day of September 1998
DIBB LUPTON ALSOP
125 LONDON WALL, LONDON EC2Y 5AE
Tel 0171 796 6205
Ref Colin Wilson
Solicitors for the above-named Company

THE INSOLVENCY ACT 1986
REALMPARK HEALTH CARE (EALING) LTD

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a Meeting of Creditors will be held at Robson Rhodes, 186 City Road, London EC1V 2NU on 16 September 1998 at 10.00am for the purposes mentioned in Sections 99, 100 and 101 of the said Act. [illegible]

Dated this 7 September 1998
D R SMITH [illegible]

هكذا من الاصل

EURO PRICES

EQUITIES

Europe frets over Clinton's fate

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

European markets plunged yesterday in reaction to Wall Street worries over President Clinton's survival and to further weakness in the dollar.

The FTSE Eurotop 100 index fell 4.7 per cent to 2422.83, down 118.85, while the broader FTSE 300 index dropped 49.61 to 1051.30.

The FTSE Ebloc 100 index, which tracks companies from founder members of European economic and monetary union, fell 46.06 points to 873.00.

The possibility of impeachment proceedings against President Clinton combined with the fragility of global markets to send Wall Street plunging from the opening. That sharply accentuated an earlier European slide.

Bond markets rallied in safe-haven buying with the yield on the benchmark 10-year German bund dropping to 4.04 in late trading.

The heaviest European equity falls were in the financial group, which dropped 6.02 per cent. Retail banks were down 6.2 per cent on worries of exposure to developing world debt, while other financials dropped 7.28 per cent, and insurance fell 6.06 per cent.

Among banks, Spanish groups with particular exposure to Latin America suffered heavily. Banco Bilbao dropped Ecu 1.10 to Ecu 10.01, while Banco de Santander dropped Ecu 1.40 to Ecu 13.76.

Cyclicals were hard hit, with chemicals down 4.3 per cent, engineering off 4.61 per cent, and paper and packaging 5.77 per cent lower.

German export stocks, vulnerable to a weaker dollar, saw sharp falls, including Daimler-Benz, down Ecu 3.40 at Ecu 78.86.

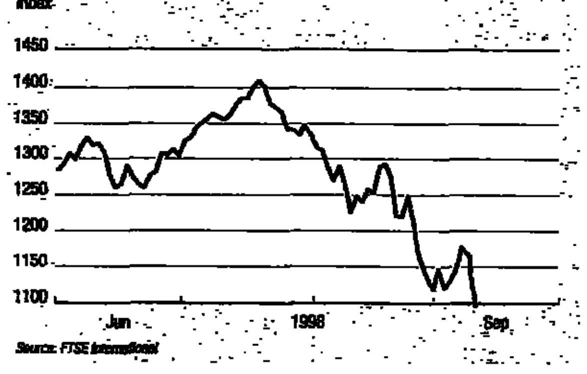
Meanwhile, a research note from the European strategy team at BT Alex Brown examined the German parliamentary elections on September 27 and took a bearish stance on the German market.

It argued that earnings growth expectations were too high to justify stock prices and the political outlook was not encouraging.

The risk of an SPD-Green coalition could become a substantial negative factor; a grand coalition would remove barriers to tax reform, but might not prove durable; and a return of Chancellor Kohl "would be the replay of an old record".

FTSE Eurotop 300 Eurobloc

Index



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	-	95.860	+0.010	-	-	0	0
Dec	96.335	96.360	+0.030	96.365	96.320	696	8738
Mar	96.535	96.565	+0.050	96.565	96.520	137	5083
Jun	96.500	96.575	+0.065	96.590	96.500	57	2071

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
96000	0	0.360	0.385	0.375	0.140	0	0.005	0.015
96125	0				0.265			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	2425.0	-108.0	-	-	0	2782
Dec	2523.0	2449.0	-106.5	2523.0	2523.0	500	2284
Mar	-	2458.5	-106.5	-	-	0	117

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P	2550 C	2550 P	2575 C	2575 P	2600 C	2600 P	2625 C	2625 P	2650 C	2650 P
Sep	44	92	65	107	26	142	15	164	11	185	8	208	7	231	6	254
Oct	110	150	132	163	87	177	76	191	66	207	57	222	48	239	42	258

Est vol total- Prev day's open interest total: 7,457 . Premiums shown are based on settlement prices.

OTHER INDICES

	Sep 10	Sep 9	Sep 8	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2814.00	3061.69	3118.87	3670.82	2574.51	3670.82	2914
DJ Euro Stx 50	2903.71	3051.49	3105.31	3658.48	2468.81	3658.48	2865.52
MSCI Europe	(u)	1101.60	1118.62	1315.55	960.50	1315.55	510.76

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 10 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1051.30	–4.51	–49.61	2.70	22.24	1079.18
FTSE Eurotop 100	2422.83	–4.68	–118.85	2.56	32.89	865.89
FTSE Ebloc 100	873.00	–5.01	–46.06	2.31	13.37	884.47
FTSE Eurotop 300 Regions						
Eurobloc	1099.68	–4.86	–56.19	2.35	19.78	1121.31
UK	970.46	–4.09	–41.39	3.31	28.84	1012.24
Europe Ex-Eurobloc	1012.62	–4.13	–43.67	3.06	23.66	1044.06
Europe Ex-UK	1097.93	–4.71	–54.25	2.40	18.53	1117.00
FTSE Eurotop Industry Sectors						
RESOURCES	805.28	–4.01	–33.62	3.55	21.81	834.71
Extractive Industries	665.37	–4.08	–28.27	4.32	0.00	665.37
Oil, Integrated	780.94	–4.01	–32.61	3.51	15.03	793.32
Oil, Exploration & Prod	559.39	–3.49	–20.21	6.03	0.00	559.39
GENERAL INDUSTRIES	992.35	–4.52	–46.95	2.83	19.53	1011.47
Construction	916.48	–3.29	–31.22	2.74	11.06	927.14
Building Matls & Merchs	819.34	–2.87	–24.25	3.21	8.05	825.44
Chemicals	797.25	–4.30	–35.78	3.03	16.87	810.74
Diversified Industrials	880.90	–3.91	–35.80	2.48	17.48	896.01
Electronic & Elect Equip	862.37	–5.41	–49.28	1.95	4.89	868.54
Engineering	844.46	–4.61	–40.77	3.97	9.57	852.36
Paper, Pckg & Prntng	736.83	–5.77	–45.12	3.16	1.21	737.75
CONSUMER GOODS	1070.23	–3.61	–40.03	1.71	15.04	1096.05
Automobiles	878.59	–4.03	–36.93	2.97	10.25	886.74
Alcoholic Beverages	787.11	–5.88	–49.19	2.74	5.82	791.83
Food Producers	883.34	–3.62	–33.19	1.82	9.37	891.37
Household Goods & Texts	974.90	–4.47	–45.65	1.99	7.01	981.26
Healthcare	817.34	–6.00	–52.21	1.45	9.52	825.65
Pharmaceuticals	954.99	–3.14	–30.93	1.35	4.27	959.16
Tobacco	1096.28	–3.38	–38.37	4.02	1.81	1098.32
SERVICES	1099.16	–3.86	–44.12	2.40	20.97	1127.71
Distribution	749.55	–2.30	–17.61	2.96	11.37	757.97
Leisure & Hotels	718.71	–6.32	–48.50	3.49	12.27	728.11
Media	925.84	–3.34	–32.00	2.51	9.63	934.65
Retailers, Food	985.95	–3.08	–31.36	3.03	11.37	997.37
Retailers, General	969.45	–3.19	–31.98	3.54	16.53	985.25
Telecommunications	994.00	–4.32	–44.89	1.98	13.02	1006.09
Breweries, Pubs & Rests	788.95	–3.98	–32.74	3.43	14.20	800.95
Support Services	890.15	–4.52	–42.13	1.68	6.84	896.37
Transport	881.31	–2.34	–21.14	2.77	11.76	891.18
Information Technology	1109.92	–4.66	–54.22	0.37	2.23	1112.45
UTILITIES	1344.03	–1.89	–25.86	3.27	53.32	1416.77
Electricity	1020.70	–2.68	–28.09	3.43	26.23	1047.98
Gas Distribution	1028.03	–0.54	–5.59	1.77	84.81	1122.71
Water	1030.73	+0.09	+0.90	4.96	38.72	1070.10
FINANCIALS	1080.69	–6.02	–69.17	3.13	26.40	1108.59
Banks,Retail	745.17	–6.21	–49.34	4.12	12.52	754.70
Insurance	831.91	–6.06	–53.69	1.66	11.45	841.62
Life Insurance	1017.50	–4.59	–48.93	1.66	9.10	1026.25
Other Financial	778.22	–7.28	–61.07	2.61	14.05	789.21
Investment Companies	838.09	–6.86	–61.71	3.05	20.65	853.76
Property	766.65	–1.82	–14.22	3.47	16.01	780.74

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CURRENCIES & MONEY

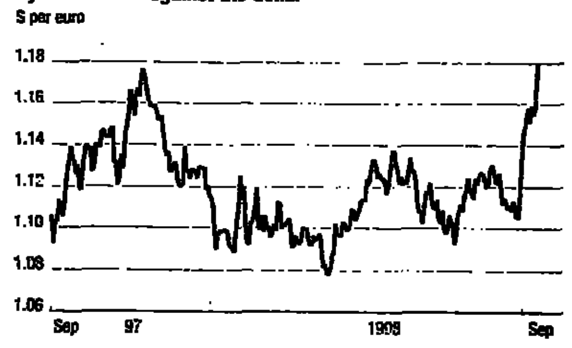
FT SYNTHETIC EURO RATES

Sep 10	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.058233	+0.0021	+0.07	–0.0031	–0.02
Belgium	BEF	41.234871	+0.0129	+0.03	+0.0129	+0.03
Czech Republic	CZK	35.771723	+0.3733	+1.05	+0.0479	+0.13
Denmark	DKK	7.612274	–0.0262	–0.34	+0.0021	+0.03
Finland	FIM	6.081671	+0.0032	+0.05	+0.0024	+0.04
France	FRF	6.701257	–0.0051	–0.08	+0.0016	+0.02
Germany	DEM	1.997978	+0.0004	+0.02	–0.0003	–0.02
Greece	GRD	344.621732	+2.5995	+0.76	+0.1832	+0.05
Hungary	HUF	259.128044	+1.6594	+0.64	+2.2820	+0.89
Ireland	IEP	0.798129	+0.0006	+0.07	+0.0017	+0.21
Italy	ITL	1973.121631	+0.9411	+0.05	–0.8595	–0.04
Luxembourg	LUF	41.234871	+0.0129	+0.03	+0.0129	+0.03
Netherlands	NLG	2.254338	–0.0030	–0.13	–0.0015	–0.07
Norway	NOK	8.991965	+0.0247	+0.28	+0.0358	+0.40
Poland	PLN	4.203784	+0.0283	+0.68	–0.0677	–1.59
Portugal	PTE	204.757348	+0.0086	+0.00	–0.0922	–0.04
Romania	ROL	10674.777551	+200.1212	+1.91	+273.5401	+2.63
Russia	RUB	15.587065	–1.9068	–10.90	–5.0404	–24.44
Slovakia	SKK	41.158116	+0.3175	+0.76	+0.6297	+1.55
Spain	ESP	169.745495	+0.1246	+0.07	+0.1829	+0.11
Sweden	SEK	9.359206	+0.1403	+1.52	+0.2085	+2.28
Switzerland	CHF	1.641247	+0.0015	+0.09	–0.0005	–0.03
United Kingdom	GBP	0.702383	+0.0058	+0.84	+0.0131	+1.90
ECU	ECU	1.016229	+0.0005	+0.05	+0.0021	+0.21
Americas						
Brazil	BRL	1.392090	+0.0262	+1.92	+0.0272	+1.99
Canada	CAD	1.785654	+0.0215	+1.22	+0.0028	+0.16
Mexico	MXN	12.481460	+0.4555	+3.79	+0.7568	+6.45
United States	USD	1.180838	+0.0223	+1.92	+0.0220	+1.90
Pacific/Middle East/Africa						
Australia	AUD	1.978731	+0.0042	+0.21	–0.0205	–1.03
Hong Kong	HKD	9.150906	+0.1725	+1.92	+0.1710	+1.90
Japan	JPY	158.368118	–0.4546	–0.29	+2.4799	+1.59
Singapore	SGD	2.043441	+0.0240	+1.19	+0.0102	+0.50
South Africa	ZAR	7.403856	+0.1802	+2.49	+0.2045	+2.84

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0388, ESP 0.0849, IEP 0.0115, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar

$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

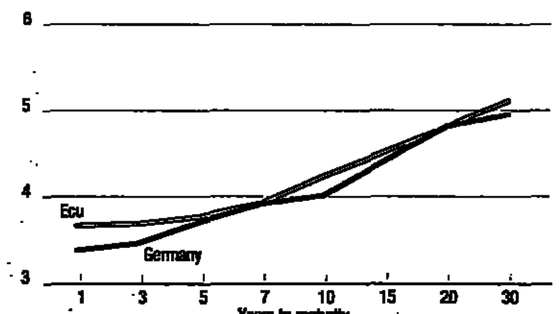
Sep 10	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward Int rate	Diff int rate v DEM
Austria	7.03552	7.0362	+0.01	+0.02	7.0377	3.56	+0.07
Belgium	20.6255	20.6383	+0.06	+0.01	20.6405	3.52	+0.03
France	3.35386	3.354	+0.00	–0.04	3.3546	3.55	+0.06
Finland	3.04001	3.0439	+0.13	+0.07	3.0441	3.51	+0.02
Ireland	0.402676	0.3995	–0.79	–1.02	0.4018	5.38	+1.89
Italy	990.002	987.5591	–0.25	–0.22	981.5883	4.83	+1.34
Luxembourg	20.6255	20.6383	+0.06	–0.01	20.6405	3.52	+0.03
Netherlands	1.12674	1.1283	+0.14	+0.19	1.1279	3.37	–0.12
Portugal	102.505	102.4823	–0.02	+0.01	102.6746	4.11	+0.62
Spain	85.0722	84.9586	–0.13	–0.26	85.1308	4.15	+0.66
Germany	1		+0.00	+0.00		3.49	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve

Per cent (September 10 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Sep 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	110.950	4.32	–0.10	–0.37	+0.07
France (Rep of)	04/08	5.250	N/A	108.400	4.17	–0.12	–0.39	–0.08
Italy (Rep of)	05/08	5.000	AA	104.450	4.43	–0.09	–0.28	+0.18
Portugal (Rep of)	06/08	5.375	AA–	107.460	4.42	–0.08	–0.30	+0.17
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.747	3.93	–0.11	–0.38	+0.16
Gen Electric Cap Crp	10/04	5.500	AAA	107.790	4.02	–0.12	–0.40	+0.20
Oest Kontrollbank	04/08	5.250	AAA	105.960	4.47	–0.09	–0.24	+0.22
Cred Local de France	04/08	5.250	AA+	105.090	4.58	–0.08	–0.26	+0.33
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA–	102.959	3.90	–0.10	–0.33	+0.20
Cred Foncier France	03/04	8.375	A	118.969	4.41	–0.13	–0.51	+0.59
Euro Inv Bank	04/04	5.250	AAA	106.887	3.85	–0.13	–0.38	+0.03
ABN Amro Hldg. NV	04/07	6.375	AA–	111.190	4.76	–0.10	–0.19	+0.60

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99. Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Sep 10	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	–0.06	+0.05	+0.18	+0.07	–0.01	+0.07
Belgium	–0.10	–0.03	+0.13	+0.10	+0.10	+0.02
Finland	–0.16	+0.20	+0.22	+0.17	–0.58	–1.13
France	–0.20	–0.11	–0.09	–0.05	–0.02	–0.15
Germany	–0.21	–0.07	+0.01	–0.22	+0.03	–0.18
Ireland	+0.42	–0.08	+0.04	+0.17	+0.20	+0.44
Italy	+0.29	+0.30	+0.31	+0.28	+0.27	+0.24
Luxembourg	–0.10	–0.03	+0.13	+0.10	+0.10	+0.02
Netherlands	–0.19	–0.02	+0.05	–0.05	+0.03	–0.13
Portugal	+0.00	+0.27	+0.26	+0.25	+0.41	+0.30
Spain	–0.02	+0.13	+0.25	+0.28	+0.22	+0.24
"OUTs"						
Denmark	+0.76	+0.66	+0.63	+0.41	+0.25	+0.55
Greece	+6.14	+5.57	+4.75	+3.93	+2.85	+2.61
Sweden	+0.61	+0.75	+0.72	+0.52	+0.44	+0.10
UK	+2.38	+1.57	+1.35	+0.77	+0.34	–0.21

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 10	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.03	–0.08	+0.05
France Telcom	AA+	11/06	6.250	FRF	+0.20	+0.25	+0.15
Halifax	AA	07/07	5.625	DEM	+0.39	+0.28	+0.18
Ing Bank NV	AA–	01/08	5.500	NLG	+0.20	+0.20	+0.19
Bayer Hypo W Bk	AA–	02/02	6.750	ITL	+0.29	+0.32	+0.32
Cred Foncier	A	02/03	7.250	DEM	+0.71	+0.58	+0.30
Thomson-Brandt Int	A–	03/04	6.375	FRF	+0.39	+0.42	+0.34
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.33	+0.35	+0.32
Bank of China	BBB	07/99	7.125	DEM	+3.44	+4.62	+2.18
Natl Bk of Hungary	BBB–	06/01	9.000	ATS	+2.30	+1.27	+0.75
Korea Dev Bank	BB+	11/02	5.625	FRF	+10.44	+9.40	+6.47
Argentina	BB	04/08	8.125	XEU	+8.95	+7.22	+3.68

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
[illegible]					
AUTOMOBILES					
[illegible]					
BANKS RETAIL					
[illegible]					
BREWERIES, PUBS & RESTAURANTS					
[illegible]					
BUILDING MATERIALS & MERCHANTS					
[illegible]					
CHEMICALS					
[illegible]					
CONSTRUCTION					
[illegible]					
DISTRIBUTORS					
[illegible]					
DIVERSIFIED INDUSTRIALS					
[illegible]					
ELECTRICITY					
[illegible]					
ELECTRONIC & ELECTRICAL EQPT.					
[illegible]					
ENGINEERING					
[illegible]					
EXTRACTIVE INDUSTRIES					
[illegible]					
FOOD PRODUCERS					
[illegible]					
GAS DISTRIBUTION					
[illegible]					
HEALTH CARE					
[illegible]					
HOUSEHOLD GOODS & TEXTILES					
Beiersdorf	59.96	-1.2	4.3	-	1.8
Christian Dl	70.54	-8.2	3.5	0.1	3.3
[illegible]					
INFORMATION TECHNOLOGY					
[illegible]					
INSURANCE					
[illegible]					
INVESTMENT COMPANIES					
[illegible]					
LEISURE & HOTELS					
[illegible]					
LIFE ASSURANCE					
[illegible]					
MEDIA					
[illegible]					
OIL, EXPLORATION & PRODUCTION					
[illegible]					
OIL, INTEGRATED					
[illegible]					
OTHER FINANCIAL					
[illegible]					
PAPER PACKAGING & PRINTING					
[illegible]					
PHARMACEUTICALS					
Astra A	13.81	-.4	22.5	5.9	1.4
Glaxo Wellcome	25.61	-1.9	92.2	4.4	2.0
[illegible]					
PROPERTY					
[illegible]					
RETAILERS, FOOD					
[illegible]					
RETAILERS, GENERAL					
[illegible]					
SUPPORT SERVICES					
[illegible]					
TELECOMMUNICATIONS					
[illegible]					
TOBACCO					
[illegible]					
TRANSPORT					
[illegible]					
WATER					
[illegible]					

Notes [illegible]

India in move to support GDRs

By Krishna Guha in Bombay

India has moved to shore up the international market for Indian global depositary receipts – the biggest such market in the world – making it easier for investors to convert the GDRs into their component equities.

Analysts said the move would enable more efficient arbitrage between the international and domestic markets for Indian shares, thus insuring against the risk of GDRs trading at a discount to the home market.

It follows a sharp erosion of GDR premiums between March and June, when India's nuclear tests and a renewed outbreak of emerging market contagion prompted selling abroad.

The Skindia GDR index premium, which is based on 65 Indian GDRs, fell from a high of more than 35 per cent in late February to a low of less than 1 per cent on June 13.

This week, the Reserve Bank of India, India's central bank, said GDR holders no longer needed its permission to convert the receipts into their underlying equities.

"Investors can now directly cancel the GDR and sell into Indian markets," said Manesh Gupta, head of trading at Skindia Finance, which compiles the benchmark GDR index. In the past investors had to wait between four and 15 days for the all-clear from the RBI.

"The whole process will now take at most 24 to 48 hours," said Mr Gupta. More efficient arbitrage should boost confidence in the Indian GDR market, which is often illiquid. But some analysts believe it will speed up a process by which the offshore market withers.

Prices move sharply higher

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

A surge in expectations that interest rates may be heading downwards globally sent bond prices sharply higher yesterday, knocking the yield on the US Treasury long bond to a record low and the yield on the benchmark German bund to a fraction above 4 per cent.

Equity market melt-downs and attacks on the dollar were equally significant factors, sparking another round of safe-haven buying as investors fretted about the vulnerability of the US economy to Latin America.

Stock markets there plummeted, with the Brazilian bourse falling 12.6 per cent. In Mexico, stocks and the peso took a battering.

In the UK, gilts closed just below record highs as the Bank of England elected to leave interest rates unchanged – but indicated that the cycle had peaked and the next move could be downwards.

Kit Juckes, head of bond and currency strategy at NatWest, said the Lewinsky affair dogging US President Clinton had also started to affect bond markets.

"There is nervousness about dollar assets in general, given the deteriorating sentiment surrounding Clinton. And there's growing and considerable concern over Latin America. The one thing you can say is that the [downward] pressure on bond yields is pretty solidly intact."

US TREASURIES soared throughout the morning as Latin American markets tumbled and uncertainties centred on Mr Clinton increased.

By early afternoon the 30-year bond was up $\frac{31}{32}$ at $104\frac{1}{16}$, sending the yield to 5.214 per cent, a record low.

As Treasury prices gained ground, the dollar fell against other currencies.

The 10-year note also surged to levels unseen in decades, with the price up $\frac{31}{32}$ at $106\frac{6}{32}$, yielding 4.820 per cent. The two-year note was up $\frac{3}{32}$ to 100⅞, yielding 4.654 per cent.

Treasuries remained firm as Mr Clinton met Democrat leaders, but analysts say markets are becoming focused on the prospect of an interest rate cut. This is already reflected in some futures contracts.

"The extent of rate cut expectations in the US is now approaching very significant levels. More than 50 basis points of expectation is factored in if you look at the eurodollar [yield] curve," said Michael Derks, senior strategist at Nomura in London.

UK GILTS ended just short of fresh contract highs after the Bank of England signalled that interest rates had peaked.

The December 10-year gilt future settled 1.17 points higher at 113.98 in volume of 68,000 contracts traded. It had hit 114.03 earlier.

The monetary policy committee left rates on hold at 7.5 per cent, but said global events could increase the chance of inflation falling within its 2.5 per cent target.

GERMAN BUND futures hit new highs, with the December 10-year bund future settling up 1.16 points at 114.02.

Swedish bank lifts Estonian bank stake

By Tim Burt in Stockholm

FöreningsSparbanken, one of Sweden's leading lenders, yesterday increased its stake in Hansapank, Estonia's largest bank, to more than 30 per cent in an apparent bid to frustrate an alliance between Hansapank and Skandinaviska Enskilda Banken.

The Swedish bank, formed through last year's merger of Föreningsbanken and Sparbanken, said the move marked a further step in its strategy of forging partnerships across the Nordic region and the Baltic states.

However, SE-Banken said it would continue to pursue a partnership with Hansapank – of which it holds almost 10 per cent. It has applied to the Estonian central bank for permission to lift its stake to 33 per cent.

"Although we have not received permission to lift our stake, we intend to continue our two-year co-operation with Hansapank," said SE-Banken.

FöreningsSparbanken inherited its stake in Hansapank this summer after a merger between Hansapank and Hoiupank, the Estonian savings bank. The Swedish bank previously owned 19.9 per cent of Hoiupank.

The latest share acquisition follows last month's announcement by FöreningsSparbanken that it was forging a strategic alliance with SpareBank 1, the Norwegian savings bank.

It has also acquired 25 per cent of Finland's Aktia Bank and a minority holding in Bank Handlowy of Poland.

● SE-Banken is changing its logo to SEB to reflect the broadening of its product range following its acquisition of insurer Trygg-Hansa.

Cantor hits back at suit from CBOT

By Nikki Tait in Chicago and Vincent Boland in Bürgenstock, Switzerland

The new Cantor Financial Futures Exchange, the first "electronic" futures exchange to be set up in the US, yesterday hit back at a lawsuit by the Chicago Board of Trade challenging its authorisation, and accused the big Chicago exchange of using "bullying and pressure" to hold on to its market position.

The suit was filed late on Wednesday by CBOT, together with two smaller Midwestern exchanges. The new exchange, a joint initiative by the Manhattan-based New York Board of Trade and Cantor Fitzgerald, a big US broker-dealer, is offering to trade fixed-income derivatives, a big area of business for CBOT. The Chicago exchange had already objected strongly in the regulatory comment period.

In the lawsuit, the exchanges claimed that the CFFE was in breach of "fundamental standards" required in futures markets.

They asked for contracts transacted on the new exchange to be declared illegal and for a judicial review of the decision last week by the Commodity Futures Trading Commission, the US futures industry regulator, to give it a "green light".

Responding to news of the suit, Cantor pointed out that the regulators had reviewed the new market thoroughly. "The CBOT seemingly feel they know better than the CFTC, the government .. regulator, how this market should be run," said Al Weiss, CFFE co-chair.

The US broker-dealer also revealed that only about 200 contracts were traded in the new exchange's first 24 hours of operation, but said it was happy with this relatively slow start. It said only about 20 per cent of the 1,800 traders authorised to use the new exchange were fully connected from a clearing and back office standpoint at this stage, although it stressed that its own trade-matching system had functioned perfectly.

Cantor said it did not believe that the lawsuit, regardless of its outcome, would deter potential participants from using the new exchange because of the question of the legal certainty of contracts there.

● The Chicago Board of Trade and Eurex, the European derivatives alliance between the German and Swiss futures markets, yesterday cemented their alliance with an agreement to enable open access to their common trading platform.

The agreement paves the way for the CBOT and Eurex to roll out the common trading platform by July next year, which will allow users to customise it to their own requirements, said Pat Arbor, CBOT chairman.

At the annual conference of the Swiss Futures and Options Association in Bürgenstock, Eurex and the CBOT said the move would allow more members to gain access to the electronic trading system, helping boost derivatives market liquidity.

The formal alliance between Eurex and the CBOT, announced this year, will be signed in the next few days, a spokesman said.

FHLB launches global jumbo

INTERNATIONAL BONDS

By Edward Luce, Capital Markets Editor

In spite of spread-widening in the secondary markets and heavy selling in the equity markets, borrowers remained active, with Federal Home Loan Banks making the biggest splash.

The agency – which is the second largest borrower in the US after the Treasury, with daily funding requirements of about \$1bn – launched a \$3.5bn bond, the first in a new global jumbo issuance programme.

FHLB, which acts for 12 home loan banks, had planned to launch the bond at a spread of 42 basis points over the five-year Treasury benchmark but the sell-off in the markets persuaded it to widen the launch spread to 46 basis points.

"This was a benchmark offering and FHLB did what it needed to clear the market," said an official at ABN Amro, joint lead with Bear Stearns and Morgan Stanley. Swap spreads also widened yesterday, but FHLB did not swap the proceeds of its benchmark offering.

Bankers said the choice of maturity was influenced by the fact that the US Treasury had earlier this year decided to reduce its five-year auction to a quarterly programme from a monthly calendar.

Elsewhere, LEBANON increased its bond issue to \$350m. In spite of a general sell-off in emerging market credits, cash-rich Lebanese investors were reported to be enthusiastic about the offering, which was priced to yield 390 basis points over the Treasury curve.

● Deutsche Bank and Merrill Lynch are arranging a debt issuance programme totalling DM6bn, or the equivalent in euros, for the north German state of Schleswig-Holstein.

The programme, which is expected to be signed in November, is aimed at broadening the state's investor base by targeting both domestic and non-German investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Federal Home Loan Banks	3.5bn	5.125#	100.00R	Sep 2003	0.10R	+46(5¼Aug03)	ABN/Bear Stearns/MSDW
Lebanese Republic	350	8.75	99.04R	Sep 2005	0.725R	+390(i)	Merrill Lynch International
■ STERLING							
KfW Intl Finance(a)	100	6.00(s)	104.689R	Dec 2028	0.45R	+67(6%Dec28)	Barclays/Goldman Sachs
Cades(b)	100	6.25	102.854	Mar 2008	0.325	+58(7¼Dec07)	Deutsche/Merrill Lynch
■ FRENCH FRANCS							
C Autonome Refinancement	800	4.40	99.769R	Oct 2008	0.325R	+19(i)	CCF
■ GUILDERS							
Koninklijke Ahold(c)§	1.3-2bn	(2½-3)	100.00	Sep 2003	2.50	-	ABN Amro/Goldman

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with £500m. Plus 132 days accrued. b) Fungible with £300m. Plus 199 days accrued. c) Fixing: 24/9/98. Convertible into ords or ADSs at indicated premium 22-27%. Callable after 3 yrs at par. Simultaneous equity offering to raise Fl 4bn aggregate. Greenshoe: 15%. i) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.0764	5.02	-0.12	-0.41	-0.35	-
	08/08	8.750	125.3655	5.41	-0.11	-0.31	-0.26	-1.15
Austria	07/00	5.875	103.9900	3.58	-0.04	-0.17	-0.37	-0.80
	07/08	5.000	105.3300	4.29	-0.07	-0.20	-0.34	-1.39
Belgium	01/00	4.000	100.5800	3.54	-0.09	-0.11	-0.25	-0.46
	03/08	5.750	110.9500	4.32	-0.10	-0.15	-0.37	-1.41
Canada	03/00	5.000	99.7300	5.19	-0.20	-0.37	-0.07	+1.06
	06/08	6.000	104.8200	5.36	-0.11	-0.15	-0.13	-0.68
Denmark	11/00	9.000	109.2800	4.39	+0.04	-0.04	+0.09	-0.17
	11/07	7.000	117.1800	4.65	-0.05	-0.16	-0.11	-1.58
Finland	01/99	11.000	102.5088	3.05	-0.10	-0.16	-0.46	-0.80
	04/08	6.000	112.1270	4.42	-0.10	-0.19	-0.28	-1.44
France	01/00	4.000	100.6900	3.44	-0.09	-0.13	-0.32	-0.55
	04/05	7.500	121.1100	3.82	-0.12	-0.24	-0.49	-1.31
	04/08	5.250	108.4000	4.17	-0.12	-0.19	-0.39	-1.38
	04/29	5.500	107.7800	5.00	-0.09	-0.11	-0.14	-1.24
Germany	03/00	4.000	101.0000	3.29	-0.08	-0.12	-0.40	-0.56
	10/05	6.500	115.5300	3.94	-0.11	-0.21	-0.45	-1.31
	01/08	5.250	109.0800	4.06	-0.10	-0.17	-0.41	-1.39
	01/28	5.625	110.8100	4.92	-0.08	-0.14	-0.18	-1.29
Ireland	10/01	6.500	107.7000	3.82	-0.10	-0.32	-0.58	-1.96
	08/08	6.000	112.4800	4.42	-0.08	-0.18	-0.34	-1.88
Italy	04/01	4.500	101.7200	3.78	-0.11	-0.25	-0.44	-2.00
	05/03	4.750	103.2600	3.97	-0.10	-0.25	-0.45	-1.96
	05/08	5.000	104.3400	4.43	-0.12	-0.21	-0.29	-1.98
	11/27	6.500	118.0600	5.27	-0.02	-0.07	-0.01	-1.74
Japan	03/00	6.400	109.2600	0.24	-0.14	-0.18	-0.21	-0.27
	06/03	4.500	118.0400	0.64	-0.16	-0.21	-0.38	-0.90
	09/05	3.000	114.3000	0.89	-0.17	-0.25	-0.36	-1.19
	03/18	2.700	116.9600	1.66	-0.20	-0.27	-0.42	-1.21
Netherlands	05/00	9.000	108.7800	3.46	-0.08	-0.10	-0.38	-0.58
	07/08	5.250	108.3200	4.20	-0.09	-0.17	-0.39	-1.38
New Zealand	02/01	8.000	104.3643	5.99	-0.12	-0.40	-0.65	-1.23
	11/06	8.000	111.5234	6.18	-0.09	-0.25	-0.13	-0.99
Norway	01/99	9.000	100.7200	7.94	+0.39	+0.20	+2.30	+3.48
	01/07	6.750	108.5000	5.45	-0.07	-0.23	+0.12	-0.50
Portugal	03/00	5.375	102.6900	3.57	-0.05	-0.23	-0.54	-1.61
	06/08	5.375	106.9000	4.48	-0.10	-0.15	-0.33	-1.77
Spain	04/00	6.750	104.6341	3.65	+0.02	-0.08	-0.33	-1.39
	01/08	6.000	111.8020	4.43	-0.10	-0.22	-0.30	-1.77
Sweden	05/00	10.250	109.7350	4.25	-	-0.13	-0.03	-0.56
	05/08	6.500	113.1700	4.76	-0.05	-0.16	-0.06	-1.81
Switzerland	01/00	5.000	105.0400	1.53	-0.07	-0.10	-0.42	-0.73
	06/07	4.500	114.4800	2.82	-0.07	-0.10	-0.11	-0.92
UK	11/01	7.000	103.5313	5.70	-0.17	-0.30	-0.53	-1.74
	12/03	6.500	105.3125	5.18	-0.18	-0.30	-0.54	-1.64
	12/07	7.250	116.9063	4.92	-0.15	-0.25	-0.48	-1.85
	12/28	6.000	119.0625	4.92	-0.11	-0.18	-0.30	[illegible]
US	08/00	5.500	101.1865	4.76	-0.10	-0.24	-0.55	-1.22
	08/03	5.250	103.0938	4.54	-0.12	-0.25	-0.47	-1.62
	08/08	5.625	106.1953	4.82	-0.11	-0.21	-0.48	-1.54
	11/27	6.125	112.7813	5.30	-0.05	-0.08	-0.29	-1.35
ECU	07/00	4.000	100.6440	3.62	-0.11	-0.35	-0.28	-0.84
	04/08	5.250	108.0300	4.25	-0.12	-0.19	-0.39	-1.62

London closing. *New York mid-day. Yields: Local market standard. Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

Sep 10	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.40	+1.37	+0.58
Austria	4.32	+0.29	-0.50
Belgium	4.35	+0.32	-0.47
Canada	5.36	+1.33	+0.54
Denmark	4.65	+0.63	-0.16
Finland	4.42	+0.39	-0.40
France	4.20	+0.17	-0.62
Germany	4.03	-	-0.79
Ireland	4.42	+0.39	-0.40
Italy	4.53	+0.50	-0.29
Japan	1.11	-2.92	-3.71
Netherlands	4.20	+0.17	-0.62
New Zealand	6.17	+2.14	+1.35
Norway	5.40	+1.37	+0.58
Portugal	4.49	+0.47	-0.32
Spain	4.53	+0.50	-0.29
Sweden	4.77	+0.74	-0.05
Switzerland	2.83	-1.20	-1.99
UK	5.02	+0.99	+0.20
US	4.82	+0.79	-
ECU	4.25	+0.22	-0.57

Spread calculated between benchmark bid yields. London closing. *New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Sep 10	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Spread vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	91.7500	9.52	+0.46	+1.21	+5.28
Poland	07/04	7.125	BBB-	92.7500	8.76	+0.44	+2.21	+4.08
Russia	06/07	10.000	CCC	22.5000	48.02	+2.14	+21.34	+43.24
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	69.0000	14.27	+0.32	+2.55	+9.07
Brazil	05/27	10.125	BB-	54.3500	18.71	+1.04	+4.74	+13.51
Mexico	05/26	11.500	BB	87.0000	13.26	+0.45	+1.74	+8.08
■ ASIA								
China	07/06	7.750	BBB+	89.1988	9.80	+0.41	+2.10	+5.05
Philippines	10/16	8.750	BB+	66.6760	13.80	+0.28	+3.80	+8.62
Thailand	04/07	7.750	BBB-	67.0000	14.62	+0.18	+4.46	+9.84
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	97.8792	10.49	+0.94	+1.99	+5.78
South Africa	10/06	8.375	BB+	83.1250	11.71	+0.51	+2.30	+6.96
Turkey	09/07	10.000	B	84.3750	13.05	+0.36	+2.39	+8.27
■ BRADY BONDS								
Argentina	03/23	5.750	BB	57.0000	11.13	+0.86	+2.22	+6.01
Brazil	04/14	5.000	BB-	52.5000	15.56	+1.15	+2.98	+10.62
Mexico	12/19	6.250	BB	69.1250	9.70	+0.39	+1.14	+4.66
Venezuela	12/07	6.750	B+	58.0000	12.37	+0.18	+1.62	+7.31

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	109.06	109.90	+0.88	110.05	109.06	180,303	75,888
Dec	108.62	109.45	+0.88	109.55	108.62	62,372	61,191

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
103	4.93	4.93	4.96	-	0.03	0.07
104	3.93	3.96	4.01	0.01	0.05	0.11
105	2.94	3.02	3.10	0.02	0.11	0.19
106	1.96	2.13	2.27	0.04	0.21	0.36

Est. vol. total, Calls 1,258 Puts 6,896. Previous day's open int., Calls 34,543 Puts 40,277

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.85	113.72	+0.87	113.78	112.85	75	5393
Mar	-	112.39	+0.87	-	-	0	0

■ NOTIONAL GERMAN BOND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.90	114.02	+1.16	114.05	112.90	571,712	458,846
Mar	112.98	114.03	+0.81	113.73	112.98	752	5,677

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
11350	0.63	0.98	1.20	0.41	0.76	0.98
11400	0.39	0.74	0.95	0.67	1.02	1.23
11450	0.22	0.54	0.74	1.00	1.32	1.52

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 8906 Puts 8490

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108.00	108.31	+0.22	108.00	107.99	301	401
Dec	108.03	108.69	+0.65	108.70	108.03	242,815	217,983

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.35	111.12	+0.82	111.35	110.24	19645	81800
Mar	-	111.14	+0.86	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Oct	CALLS Dec	PUTS Oct	PUTS Dec
11100	0.40	0.65	0.28	0.53
11150	0.18	0.42	0.55	0.80
11200	0.07	0.25	0.95	1.13

Est. vol. total, Calls 0 Puts 750. Previous day's open int., Calls 400 Puts 100

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.42	113.87	+0.58	114.16	113.38	104,234	68,123
Dec	114.14	114.75	+0.78	114.93	114.14	21,305	37,266

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	106.35	+0.70	-	-	0	389
Mar	-	106.50	+0.70	-	-	0	1684

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	112.91	113.71	+1.14	113.40	112.91	6	3184
Dec	112.95	113.98	+1.17	114.17	112.85	70140	154705

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
11350	0.89	1.26	1.55	0.43	0.80	1.09
11400	0.62	1.00	1.28	0.66	1.04	1.32
11450	0.42	0.78	1.06	0.96	1.32	1.60

Est. vol. total, Calls 3143 Puts 3183. Previous day's open int., Calls 47894 Puts 34048

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	126-28	128-00	+0-05	128-08	127-20	47,843	118,068
Dec	127-26	127-26	-0-04	128-03	127-13	563,805	702,271
Mar	127-18	127-24	-0-04	127-24	127-18	1,160	61,526

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	137.22	137.43	-	137.60	137.19	2961	n/a
Mar	-	138.62	-	-	-	0	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	107.82	+0.86	-	-	0	18

US CORPORATE BONDS

Sep 9	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	105.2179	5.69	-0.10	-0.28	+0.91
NY Tel	08/25	7.00	A+	102.3391	6.80	-0.08	-0.17	+1.53
CWE	06/08	8.00	BBB	113.2605	6.15	-0.09	-0.21	+1.20
■ FINANCIALS								
GECC	05/07	8.75	AAA	119.5667	5.82	-0.10	-0.28	+0.87
Banc One	08/02	7.25	A+	105.2969	5.71	-0.11	-0.31	+0.93
Media One	01/07	7.30	BBB	106.0933	6.34	-0.10	-0.10	+1.39
■ INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.1657	5.89	-0.07	-0.18	+1.31
Wal Mart	05/02	8.75	AA	104.7621	5.30	-0.10	-0.48	+0.52
Dayton Hud	06/21	9.70	BBB+	134.5412	6.71	-0.07	+0.06	+1.44
■ AGENCIES								
FHLMC	04/07	7.14	N/A	111.0619	5.50	-0.10	-0.25	+0.55
SLMA	03/00	7.50	N/A	103.2213	5.23	-0.12	-0.32	+0.46
FNMA	02/18	8.95	N/A	136.1517	5.81	-0.03	-0.11	+0.54
FFCB	06/06	8.95	N/A	121.6482	5.47	-0.10	-0.25	+0.52
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	95.8750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	100.7500	0.00	-	-	-
Pacalta	06/04	10.75	B-	92.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	4.84
Prime rate	8½	Two month	-	Three year	4.54
Broker loan rate	7¼	Three month	4.82	Five year	4.64
Fed.funds	5⅝	Six month	4.83	10-year	4.82
Fed.funds at intervention	-	One year	4.71	30-year	5.23

INTERNATIONAL BONDS

Sep 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	110.2400	4.27	-0.06	-0.34	+0.22
Spain	01/07	5.750	AA	110.0600	4.28	-0.12	-0.33	+0.23
Philip Morris	03/04	5.375	A	104.5700	4.41	-0.09	-0.64	+0.59
Finland FRN	09/02	3.628	AA	100.5399	3.04	-0.10	-0.52	-0.50
■ EURO FFR								
Austria	01/04	5.500	AAA	107.7700	3.86	-0.12	-0.42	+0.15
Abbey Nat	02/04	6.000	AA	109.6300	3.98	-0.10	-0.40	+0.27
Cred Foncier	02/04	9.125	A	123.1500	4.25	-0.22	-0.35	+0.54
3CIF FRN	12/01	3.617	AA-	99.9723	3.39	-0.12	-0.44	-0.12
■ EURO LIRA								
EIB	02/07	7.000	AAA	118.0200	4.39	-0.07	-0.29	-0.05
Abbey Nat	02/02	6.800	AA	108.6500	4.04	-0.10	-0.41	+0.08
Walt Disney	06/00	8.625	A	107.5500	4.09	-0.07	-0.34	+0.15
EIB FRN	03/01	4.692	AAA	99.8995	3.67	-0.06	-0.38	-0.18
■ EURO £								
EIB	12/07	7.625	AAA	113.6387	5.68	-0.16	-0.29	+0.55
Dresdner Bk	12/07	7.750	AA-	108.9350	6.43	-0.14	-0.06	+1.30
British Gas	03/00	7.625	A+	100.9209	6.93	-0.14	-0.42	+0.90
Abbey Nat FRN	02/02	7.900	AA	100.1711	5.54	-0.17	-0.55	+0.02
■ EURO $								
EIB	04/07	7.250	AAA	112.6800	5.37	-0.14	-0.34	+0.59
ABN Amro	06/07	7.125	n/a	108.5000	5.87	+0.09	-0.37	+1.09
Quebec	01/07	7.000	A+	108.2500	5.74	+0.09	-0.33	+0.96
Citicorp FRN	02/04	5.750	A+	101.0000	5.31	+0.14	-0.16	+0.64
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	117.7247	5.86	-0.13	-0.09	+0.16
Toronto	05/04	8.500	AA+	112.6875	5.81	-0.13	-0.12	+0.11
Bell Canada	07/99	10.625	A+	103.7790	5.77	-0.22	-0.03	+0.96
Deutsche B FRN	09/02	5.875	AAA	101.5038	5.45	-0.17	-0.41	-0.16
■ EURO YEN								
World Bank	03/02	5.250	AAA	116.5613	0.49	-0.16	-0.31	-0.05
Spain	03/02	5.750	AA	118.3590	0.48	-0.16	-0.32	-0.06
Cred Foncier	08/02	4.750	A	114.4794	0.95	-0.16	-0.31	+0.41
Italy FRN	07/99	0.727	AA	100.2478	0.00	-0.08	-0.12	-0.23

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Sep 10	Day's change %	Wed Sep 9	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	120.42	0.36	120.10	2.09	7.22
2 5-15 years (19)	169.79	0.98	168.13	2.87	7.14
3 Over 15 years (8)	219.30	1.43	216.22	3.19	7.49
4 Irredeemables (6)	289.92	2.25	283.55	4.01	8.53
5 All stocks (46)	161.27	0.89	159.90	2.65	7.43
Index-linked					
6 Up to 5 years (2)	221.50	0.08	221.31	2.13	3.13
7 Over 5 years (9)	240.22	0.26	239.59	1.13	5.08
8 All stocks (11)	236.58	0.23	236.02	1.32	4.70

UK Indices: Yield tables (Low coupon yield, Medium coupon yield, High coupon yield; Inflation 5%, Inflation 10%) — [illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 10	Sep 9	Sep 8	Sep 7	Sep 4	Yr ago	High*	Low*
Govt. Secs. (UK)	109.71	108.81	108.28	108.43	108.23	97.34	109.71	93.21
Fixed Interest	149.36	148.47	148.07	148.25	147.15	125.99	147.40	115.32

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]						

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]						

Dollar suffers with Clinton and Brazil

MARKETS REPORT

By Simon Kuper

The latest slump in the US stock market, prompted by talk that President Bill Clinton might be impeached and that Brazil might devalue, sent the dollar to a 16-month low against the D-Mark yesterday.

The pound hit a 10-month low against the D-Mark. The Bank of England's monetary policy committee left interest rates unchanged, but hinted strongly that rates might soon head downward.

"Deterioration in the international economy could increase the risks of inflation falling below the (official) target (of 2.5 per cent)," said the committee. Previously it had been perceived as biased towards rate rises.

The news of the Bank's turnaround followed Japan's rate cut on Wednesday and echoed Alan Greenspan, the Fed chairman, who said last Friday that inflation was no longer the primary concern of the US. However, various Bundesbank council members suggested that Germany would not be joining the rate-cut brigade.

The pound also suffered from a survey by the Confederation of British Industry, which showed that UK retail sales were virtually stagnant last month for the first time in three years.

The dollar shed most of the Y5 it had gained against the yen on Wednesday, when Japan cut rates. The Japanese currency bounced as hedge funds continued to repay the yen they had used to buy emerging market assets in previous years.

Brazilian shares plunged more than 12 per cent, adding to pressure on the pegged real. Desmond Lachman, head of emerging market research at Salomon Smith Barney in New York, said Brazil could not maintain interest rates so high, because that was raising the cost of servicing its debt of about $250bn. He said high interest rates throughout Latin America meant that the region's economies would slow sharply next year, hurting the US.

The dollar dropped 3.2 pfgs against the D-Mark and Y3 against the yen to close in London at DM1.692 and Y134.1. The pound dropped 2.3 pfgs against the D-Mark but rose 1.8 cents against the dollar to $1.681. Short sterling futures contracts jumped, with the June 1999 contract up 15 basis points.

■ Yesterday was a better day for eastern Europe. The rouble rose as President Boris Yeltsin proposed Yevgeny Primakov, the acting foreign minister, as prime minister. This seemed to break the political deadlock that arose when the Duma repeatedly rejected Mr Yeltsin's previous candidate, Viktor Chernomyrdin.

On the Moscow Interbank Currency Exchange, the rouble rose from 16 against the dollar to 13/14.25.

The Polish zloty has long been that rare bird, a strong emerging currency. So much so that Poland was yesterday able to cut the zloty's officially targeted monthly rate of depreciation, by 15 basis points to 0.50 per cent. It also reduced the 28-day market intervention rate by 1 percentage point to 18 per cent. The zloty firmed.

■ The Bundesbank council members, back from holiday, are talking up the D-Mark.

Tanned and relaxed, they were everywhere yesterday. Klaus-Dieter Kühbacher did not rule out that the dollar might "fall into a downward glide" because of the influence of stricken Asia and Latin America on the US economy. He did say such a glide would be "bad", but both he and his colleague Ernst Welteke also said they were not concerned about the current situation in exchange rates.

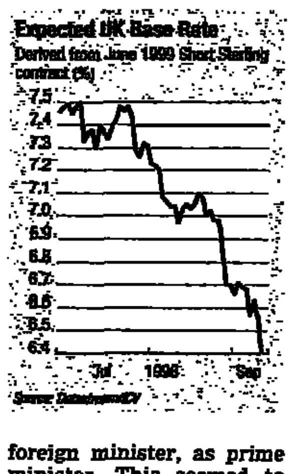
Three of them spoke against a rate cut. Mr Kühbacher said a German easing now could be seen as fear of an international crisis, and could only make things worse. However, he did say that there was scope in principle for a rate cut.

Franz-Christoph Zeitler, also a council member, said that money supply was growing strongly in some countries due to join European monetary union, leaving little room for rate cuts. Mr Welteke said: "Looking at (German) monetary policy it is expansionary rather than restrictive."

And these hawkish comments came as German consumer prices were revealed to have fallen 0.1 per cent last month.

Expected UK Base Rate

Derived from June 1999 Short Sterling contract (%)



Source: Datastream/ICV

■ POUND IN NEW YORK

Sep 10	—Latest—	— Prev. close —
£ spot	1.6825	1.6680
1 mth	1.6799	1.6654
3 mth	1.6748	1.6604
1 yr	1.6549	1.6406

■ OTHER CURRENCIES

Sep 10	£	$
Czech Rp	50.8812 - 50.9777	30.2720 - 30.3150
Hungary	368.717 - 369.145	219.370 - 219.520
Iran	5044.80 - 5042.40	3000.00 - 3000.00
Kuwait	0.5106 - 0.5119	0.3039 - 0.3044
Peru	5.1416 - 5.1507	3.0590 - 3.0630
Poland	5.9868 - 6.0039	3.5500 - 3.5700
Russia	21.6823 - 22.7016	12.9000 - 13.5000
U.A.E.	6.1711 - 6.1757	3.6715 - 3.6725

POUND SPOT FORWARD AGAINST THE POUND

Sep 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.0152	-0.1656	071 - 233	20.2944	19.9855	19.9497	3.9	19.825	3.8	19.3773	3.2	103.8
Belgium	(BFr)	58.7075	-0.4763	599 - 551	59.5110	58.4130	58.5144	3.9	58.1421	3.9	56.778	3.3	103.6
Denmark	(DKr)	10.8379	-0.1289	311 - 446	10.9748	10.8100	10.812	2.9	10.7632	2.8	10.5963	2.2	107.2
Finland	(FM)	8.6586	-0.0686	528 - 644	8.7830	8.6300	8.6306	3.9	8.5766	3.8	8.3684	3.4	82.8
France	(FFr)	9.5409	-0.0877	369 - 448	9.6367	9.5027	9.5097	3.9	9.4495	3.8	9.2275	3.3	107.2

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.9053	-0.227	033 - 073	12.0420	11.8750	11.8846	2.1	11.8463	2.0	11.7183	1.6	102.5
Belgium	(BFr)	34.9200	-0.66	000 - 400	35.3400	34.7800	34.8585	2.1	34.7425	2.0	34.336	1.7	103.5
Denmark	(DKr)	6.4465	-0.1465	440 - 490	6.5279	6.4370	6.4409	1.0	6.4315	0.9	6.408	0.6	105.7
Finland	(FM)	5.1503	-0.0962	480 - 525	5.2134	5.1375	5.1415	2.0	5.1243	2.0	5.0606	1.7	81.9

WORLD INTEREST RATES

MONEY RATES

Sep 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.19
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.24
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.43	5.38	5.32	5.26	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

LONDON MONEY RATES

EMS EUROPEAN CURRENCY UNIT RATES

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
92500	0.045	0.485	0.860	0.015	0.035	0.050
92625	0.010			0.105		
92750	0	0.290	0.645	0.220	0.090	0.085
92875	0			0.345		
93000	0	0.160	0.450	0.470	0.200	0.140
93125	0			0.595		

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	●Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

La Niña on the heels of El Niño

Hopes among commodity markets of a return to normal in world weather conditions have been put in doubt but many are wary of predicting a big impact, says **Paul Solman**

As the world's commodity markets labour under the weight of the Asian financial crisis and Russia's economic difficulties, one bright spot has been the prospect that the world weather systems would return to normal after the havoc created by El Niño.

However, in the wake of El Niño – "little boy" in Spanish – comes his sister, La Niña, which is forecast to bring its own climatic changes until the middle of next year.

El Niño occurs approximately every seven years and La Niña is part of the same cycle. So where the little boy goes, his sister follows.

"La Niña is the opposite of El Niño. Where El Niño was a warming of sea surface temperatures, La Niña is a cooling down," says Dr Mike Davey of the Meteorological Office in London.

El Niño's effects included drought in locations as far apart as Panama, the Philippines, South Africa and Costa Rica.

By contrast, La Niña is expected to bring wetter weather than usual to many regions, especially equatorial Pacific, Dr Davey says. On the other side of the world, where El Niño brings rain to Brazil, La Niña usually brings drier weather.

However, some weather watchers are cautious about predicting the effects of La Niña.

Judith Ganes, analyst at Merrill Lynch in New York, points out that, even though last year's El Niño system brought big climate changes, some of the expected crop devastation did not materialise.

"Ivory Coast was expecting huge losses in the cocoa crop, but it didn't happen, so it can be dangerous to speculate," she says.

Wheat market prices rose last year on the expectation that El Niño would cut supplies from Australia, one of the world's biggest exporters. But they dropped back when Australia's crop losses were offset by an unusually large harvest in the US.

Lawrence Eagles at GNI in London says: "After one of the biggest El Niño events on record, a lot of people are very wary about predicting a big impact from La Niña. Although last year's El Niño had a big effect on weather conditions, its actual economic impact was more muted."

In some cases, such as the oilseed crops in Brazil and Argentina, El Niño actually helped boost production.

Weather problems have also been blamed on El Niño and La Niña when such a link is questionable. Mr Eagles points out that the widespread flooding in China in the past few months has been attributed to La Niña, though the cause is not certain.

Ms Ganes says: "There is a tendency to look for a cause for big changes in the weather. Last year, it was El Niño; before that it was global warming."

Scientists believe La Niña may be linked to greater hurricane activity, such as hurricanes Bonnie and Earl which swept the US east coast in the past month.

"Increased hurricane activity with La Niña could be because El Niño tends to suppress hurricane activity," says Mr Eagles. "There were fewer hurricanes last year. But it's too early in the hurricane season to see whether there has been a real increase."

Much of La Niña's impact will be down to timing.

"Crops will react differently to unusually wet weather, depending on whether it arrives during the wet season or the dry season," says Mr Eagles. "El Niño was so powerful this time that La Niña has started a little later than usual – nearer the northern hemisphere's winter. So the wet weather might have less of an impact on crops there."

Australasia and east Asia could experience heavier rainfall as well as south-east Asia and especially Indonesia, Malaysia and Thailand. That could mean crop damage or better yields, depending on how long the rain stays, says Mr Eagles.

La Niña could even provide a much needed boost to the energy sector.

"Colder than usual weather in North America and northern Europe, brought by La Niña, is likely to increase demand for natural gas and heating oil," said one analyst in New York.

A sharp jump in energy prices could be the good news the oil market has been hoping for.

Floods hit Australia in January but a smaller wheat crop was offset by a big harvest in the US

'Clinton effect' helps lift gold price

MARKETS REPORT

By Kenneth Gooding and Paul Solman

Gold was caught up in the uncertainties created by the threat that US President Bill Clinton might be impeached.

As the dollar weakened and US share prices fell, gold was "fixed" in London yesterday afternoon at $290.50 a troy ounce, up by $7.05, or 2.5 per cent. It held on to its gains in New York trading.

Much of the increase came from funds covering short positions, dealers said.

Andy Smith, analyst at the Mitsui trading group, pointed out that, apart from the "Clinton effect", there were uncertainties caused by Russia's economic collapse and turmoil in Asia. "If gold couldn't rise when all this is going on, when would it go up?", he asked.

Dealers suggested gold might go higher in the short term before selling by Australian and South African producers capped the move.

Oil prices rose after figures from the American Petroleum Institute showed US crude stocks had dropped 6.68m barrels to 329.9m barrels in the week ended September 4.

Traders said the price was also helped by news that the UN had suspended its review of sanctions against Iraq. The review might have led to increased oil exports under the oil for food programme.

In late trading on London's International Petroleum Exchange, the benchmark October contract Brent crude was $13.34 a barrel, compared with Wednesday's close of $12.76.

White sugar futures dropped to $215.50 a tonne in late trading on the London International Financial Futures Exchange compared with Wednesday's close of $220.40.

COFFEE ASSOCIATIONS SEEK SUPPLIES TO FREE-UP EXPORTS

Call for imports from Indonesia

By Kunal Bose in Calcutta

Associations representing Indian coffee exporters have asked the federal government to allow the free import of robusta coffee from Indonesia to tide India over a shortfall in domestic supply.

As the exporters have cancelled contracts for more than 5,000 tonnes of robusta coffee since they were not sure of getting supplies, prices for November delivery robusta cherry AB have risen by Rs5 (12 US cents) a kilogram to Rs85 at the last auction.

According to the associations, the shippers are likely to cancel many more contracts for robusta coffee even at the risk of India being branded an unreliable supplier.

"This will lead to discounting of Indian coffee prices in the world market in the future," they say.

India, which exports nearly 75 per cent of its coffee production, has built "a chain of loyal roasters in Italy, Japan, Greece and Australia who use Indian robusta as primary coffee in the blends".

The cancellation of export contracts by Indian shippers will force these roasters to use robusta of other origins. The shippers want the government to allow coffee import as a "damage control measure".

However, the Coffee Board, which must recommend import levels to the government, does not consider the situation to be "grave enough" to warrant imports of Indonesian coffee.

Instead, the board has lifted the robusta crop estimate by 10,000 tonnes to 140,000 tonnes for the 1998-99 season (October to September).

Board officials think a higher crop estimate and the fact that harvesting in the main growing centres will start early in 1998-99, because the monsoon arrived before its normal time this year, will encourage the growers to dispose of their present stocks.

However, the Board has not taken into account the tendency of coffee planters to hold on to their stocks to ensure better prices.

India is the world's sixth largest coffee producer and grows both robusta and arabica varieties. The arabica crop estimate for 1998-99 is 100,000 tonnes.

India harvested a total coffee crop of 232,000 tonnes in 1997-98 against 205,000 tonnes the previous year when the season was poor.

Coffee produced in India is grouped under the "other milds" category. Unlike robusta, prices of arabica coffee on the domestic futures exchange have remained weak in line with world trends.

India exported 138,000 tonnes of robusta coffee in 1997-98 and after providing for domestic consumption, there is hardly any coffee left for export.

Rio Tinto warns on shorts

By Kenneth Gooding, Mining Correspondent

David Humphreys, chief economist at Rio Tinto, the world's biggest mining company, gave a clear hint yesterday that the London Metal Exchange should look at its rules to see if speculative short selling by hedge funds ought to be held in check.

He said the key factor in the drop in base metals prices in 1998 to the lowest levels for several years was "an onslaught" of funds engaging in short selling – selling metal they did not own in the hope that the price would fall and they could cover their positions later at a lower price.

With $120bn under management, compared with the combined value of LME warehouse stocks of less than $2bn, "it is clear that these funds have more than enough muscle to move metals prices substantially," said Mr Humphreys in a paper issued to coincide with the release of Rio's half-year results yesterday.

"The ability of the funds to influence the market depends not a little on their being able to take positions on the short side of the market on a scale that would almost certainly not be permitted on the long side," he added. This raised questions about "asymmetries in the functioning of the metal exchanges".

Mr Humphreys said there was no reason to suppose base metals markets were not reasonably balanced at present, but the low prices did not reflect that situation.

"That prices should, by pushing high-cost producers into a loss-making condition, implicitly be signalling the need for production cuts, is, to say the least, odd in such circumstances," Mr Humphreys said.

"Recent price levels would seem to have been rather more a function of uncertainty about the future – an uncertainty at times evidently bordering on panic – than any definitive knowledge about the present," he added.

He said there were "reasonable grounds for believing that, as a result of the funds' anticipation of conditions of oversupply, metals prices have, for the present, touched bottom". However, this did not imply there would be an imminent and lasting recovery.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1346-47	1371-72
Previous	1364-65	1387-88
High/low		1389/1365
AM Official	1346-46.5	1369-69.5
Kerb close		1375.5-76
Open int.	295,534	
Total daily turnover	97,767	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1155-60	1181-85
Previous	1170-80	1198-200
High/low		1195/1178
AM Official	1153-58	1178-82
Kerb close		1180-85
Open int	8,068	
Total daily turnover	1,355	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	526-7	538-9
Previous	529.5-30.5	541.5-42.0
High/low		541/533
AM Official	526-27	538-38.5
Kerb close		534-5
Open int	35,502	
Total daily turnover	7,030	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4170-80	4235-40
Previous	4240-50	4300-05
High/low		4300/4200
AM Official	4160-65	4240-45
Kerb close		4210-20
Open int	60,765	
Total daily turnover	19,499	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5530-40	5390-95
Previous	5460-90	5360-65
High/low		5395/5350
AM Official	5515-20	5380-85
Kerb close		5395-400
Open int	14,635	
Total daily turnover	3,934	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1014-15	1037-38
Previous	1015-19	1041-42
High/low		1043/1036
AM Official	1020-20.5	1043-44
Kerb close		1036-37
Open int	94,553	
Total daily turnover	13,724	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1675-76	1697-98
Previous	1695-96	1717-18
High/low		1713/1695
AM Official	1683-84	1702-03
Kerb close		1702-03
Open int	170,764	
Total daily turnover	82,304	

■ LME AM Official £/$ rate: 1.6721
LME Closing £/$ rate: 1.6815

Spot 1.6815 3 mths: 1.6742 6 mths: 1.6688 9 mths: 1.6620

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	77.50	-0.60	79.10	77.10	516	5,226
Oct	77.10	-0.75	77.10	76.70	426	2,944
Nov	77.10	-0.95	77.50	77.50	93	1,800
Dec	77.25	-0.90	78.10	76.60	9,918	29,923
Jan	77.40	-0.90	77.20	77.15	46	2,093
Feb	77.50	-0.90	-	-	42	1,123
Total					11,284	61,046

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	291.10-291.60		
Opening	295.60-296.00		
Morning fix	285.65	170.74	299.91
Afternoon fix	290.50	172.97	404.23
Day's High	291.10-291.60		
Day's Low	295.60-296.00		
Previous close	284.70-295.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 5.05 6 months 4.03
2 months .... 4.29 12 months 3.73
3 months 4.76

Silver Fix	p/troy oz	US cts equiv
Spot	298.11	498.00

Silver Lending Rates

1 month .... 3.50 6 months 1.70
2 months .... 3.00 12 months 1.50
3 months 2.75

Gold Coins	$ price	£ equiv
Krugerrand	287-291	171-173
New Sovereign	68-72	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Sep	290.7	+6.3	-	-	-	-
Oct	291.4	+6.3	292.7	285.0	1,362	10,998
Dec	293.8	+6.4	295.2	287.3	25,864	102.0k
Feb	295.5	+6.4	296.9	290.3	1,180	15,060
Apr	297.2	+6.3	297.6	293.5	513	11,795
Jun	298.8	+6.2	300.0	294.3	402	15,349
Total					29,397	195,035

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	365.5	+5.8	367.0	359.7	982	9,778
Jan	367.1	+6.9	368.5	365.0	144	1,260
Apr	368.1	+5.9	367.5	367.5	10	41
Jul	369.1	+5.9	-	-	-	18
Total					1,136	11,097

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	295.50	+10.05	295.00	295.00	11	117
Dec	292.00	+10.05	292.00	284.90	213	2,222
Mar	289.50	+10.05	287.00	287.00	1	325
Total					225	2,664

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	499.5	+10.2	502.5	495.5	912	937
Dec	505.0	+10.0	511.0	494.0	11,015	55,308
Jan	506.9	+10.0	513.0	513.0	-	40
Mar	508.8	+10.1	514.0	505.0	58	8,997
May	510.7	+9.9	-	-	25	1,735
Jul	512.5	+9.7	516.0	516.0	5	2,574
Total					12,015	75,710

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	14.83	+0.71	14.85	14.13	53,261	99,957
Nov	15.00	+0.64	15.00	14.35	25,711	58,762
Dec	15.19	+0.58	15.19	14.70	11,680	74,778
Jan	15.28	+0.43	15.28	14.97	5,032	40,673
Feb	15.38	+0.32	15.38	15.24	2,643	21,018
Mar	15.55	+0.32	15.55	15.43	423	16,899
Total					105,741	484,081

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Oct	13.38	+0.62	13.43	12.89	21,386	50,261
Nov	13.66	+0.59	13.69	13.00	17,277	44,507
Dec	13.92	+0.52	13.92	13.48	4,228	44,349
Jan	14.07	+0.51	14.07	13.65	1,622	32,201
Feb	13.91	+0.19	13.94	13.91	75	11,325
Mar	14.13	+0.25	14.25	14.02	495	11,684
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	40.95	+2.30	41.00	38.90	18,321	42,719
Nov	41.90	+2.03	42.00	40.15	9,989	23,337
Dec	42.90	+1.83	42.95	41.58	3,652	23,920
Jan	43.70	+1.48	44.00	42.40	1,858	24,177
Feb	44.50	+1.48	44.70	43.75	2,004	17,475
Mar	44.50	+1.13	45.20	44.00	717	16,172
Total					38,113	180,947

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	115.25	-	117.50	115.00	10,761	6,911
Oct	124.25	+5.25	124.50	118.50	16,332	32,410
Nov	126.75	+4.75	126.75	121.75	3,668	19,292
Dec	129.50	+4.75	129.50	124.75	4,492	41,915
Jan	132.25	+4.75	132.25	127.50	527	16,268
Feb	134.50	+4.25	134.50	131.75	845	12,996
Total					28,448	168,016

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	12.590	-0.040	12.670	12.350	270	3,985
Nov	14.060	-0.050	14.100	14.000	120	2,305
Total					1,770	23,985

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.910	+0.077	1.935	1.839	26,109	55,517
Nov	2.160	+0.078	2.180	2.090	12,833	35,035
Dec	2.385	+0.063	2.415	2.340	4,722	33,109
Jan	2.480	+0.049	2.490	2.440	5,144	32,229
Feb	2.400	+0.029	2.420	2.370	2,078	19,646
Mar	2.295	+0.024	2.310	2.270	2,637	17,363
Total					58,931	282,864

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	42.90	+1.83	42.95	41.15	14,691	38,926
Nov	43.60	+1.71	43.60	42.10	7,891	16,605
Dec	44.20	+1.43	44.20	43.30	1,583	9,641
Jan	44.95	+1.25	44.95	44.45	540	4,053
Feb	45.20	+0.60	45.20	45.20	150	1,868
Mar	46.35	+0.85	-	-	412	2,075
Total					25,569	86,437

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	73.10	+0.60	-	-	-	135
Nov	74.15	+0.60	74.60	74.15	229	2,809
Jan	76.15	+0.65	76.50	76.25	183	2,253
Mar	77.65	+0.45	78.00	77.70	65	1,492
May	79.25	+0.35	79.70	79.25	184	1,106
Total					661	7,862

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	248.00	-3.00	249.00	244.00	2,519	1,958
Dec	263.00	+2.75	264.00	258.00	14,080	78,812
Mar	278.25	+2.50	279.00	273.50	2,201	24,060
May	289.25	+3.25	289.50	284.00	132	4,565
Jul	298.75	+2.75	299.50	294.50	779	11,440
Sep	305.50	+2.00	305.50	303.50	7	338
Total					19,727	121,435

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	200.50	+2.00	202.00	196.25	7,461	5,685
Dec	213.00	+2.25	215.00	209.00	54,777	181,310
Mar	225.25	+2.00	227.00	221.75	8,081	59,086
May	232.50	+2.00	234.00	229.25	1,398	21,982
Jul	238.50	+1.75	240.00	235.25	2,609	29,803
Sep	243.75	+1.75	245.50	242.00	329	4,951
Total					75,874	315,184

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.75	+0.75	-	-	-	-
Nov	72.75	+0.75	72.75	72.75	25	904
Jan	74.90	+0.90	75.00	74.90	25	396
Mar	76.50	+0.75	-	-	-	60
May	77.50	+0.75	-	-	-	23
Total					50	1,383

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	525.00	+4.00	527.50	520.50	652	3,724
Nov	522.50	+5.50	525.00	516.50	26,488	89,853
Jan	532.00	+4.75	534.25	527.00	3,237	23,308
Mar	543.00	+5.25	545.50	537.75	2,309	17,078
May	551.50	+4.50	555.00	548.00	468	7,229
Jul	562.00	+5.00	564.00	557.00	1,895	9,152
Total					35,291	154,134

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	24.44	+0.29	24.57	24.15	2,660	2,452
Oct	24.51	+0.24	24.63	24.25	5,277	25,839
Dec	24.75	+0.21	24.95	24.50	7,541	47,927
Jan	24.82	+0.22	25.05	24.65	1,369	3,333
Mar	24.82	+0.20	25.10	24.67	2,145	12,529
May	24.85	+0.18	24.95	24.70	672	5,078
Total					20,708	111,568

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	131.5	+0.7	133.9	132.2	2,827	5,570
Oct	130.6	+1.6	131.7	128.8	2,838	25,390
Dec	133.1	+1.7	134.5	131.4	7,336	64,110
Jan	135.1	+1.8	136.0	133.5	1,377	14,718
Mar	139.1	+1.7	140.0	137.5	1,369	13,007
May	142.3	+1.3	143.5	141.2	940	6,891
Total					18,164	138,739

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.0	-	-	-	-	3
Mar	116.5	-	-	-	-	-
Apr	160.0	-4.0	163.0	157.0	50	2,277
May	170.0	-4.0	-	-	-	29
Jun	180.0	-4.0	-	-	-	-
Total					50	2,277

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	870	+40	870	870	5	155
Oct	935	+20	935	930	93	478
Jan	975	+20	-	-	-	391
Apr	1005	+15	-	-	-	201
Jul	890	+15	-	-	-	200
Total					98	1,882

	Close	Prev
BFI	848	839

PULP AND PAPER

■ PULPEX DAILY (US$, 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	428.50	-3.75	433.00	426.50	30	387
Mar	455.00	-6.25	460.00	455.00	30	94
Total					60	694

FUTURES DATA

All futures data supplied by CMS

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1038	+4	1047	1043	151	93
Dec	1071	-3	1078	1070	2,956	65,042
Mar	1099	-4	1107	1098	1,188	40,405
May	1116	-4	1122	1116	268	15,000
Jul	1134	-4	1142	1133	284	9,231
Sep	1152	-4	1156	1152	47	27,353
Total					5,124	168,081

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1585	+16	1589	1578	19	990
Dec	1621	+22	1623	1608	4,149	35,740
Mar	1663	+22	1663	1649	487	18,269
May	1689	+20	1688	1683	231	5,936
Jul	1716	+20	1715	1713	7	1,803
Sep	1742	+20	-	-	-	1,661
Total					4,893	71,428

■ COCOA (ICCO) (SDR's/tonne)

Sep 9	Price	Prev. day
Daily	1277.69	1265.47

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1713	+11	1713	1695	337	2,582
Nov	1679	+7	1679	1661	2,772	20,251
Jan	1631	+9	1630	1615	652	5,288
Mar	1603	+9	1600	1590	158	2,577
May	1588	+10	1582	1575	69	495
Jul	1578	+5	1572	1572	18	171
Total					4,006	31,364

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	117.00	-2.50	119.40	117.00	130	880
Dec	109.00	-4.00	113.40	108.80	5,710	14,012
Mar	107.05	-3.45	110.50	107.00	706	6,294
May	108.00	-3.20	111.50	108.00	65	2,836
Jul	109.05	-2.55	112.25	109.00	53	1,286
Sep	110.75	-2.00	112.00	110.75	7	1,444
Total					6,671	26,897

■ COFFEE (ICO) (US cents/pound)

Sep 9		Prev. day
Comp. daily	100.08	101.14
15 day average	99.47	99.36

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	211.7	-8.7	220.1	211.3	4,746	12,166
Dec	217.5	-5.0	222.6	217.0	3,599	11,218
Mar	222.9	-5.7	228.5	222.8	1,005	14,453
May	229.1	-5.5	233.6	232.8	85	2,438
Aug	234.2	-5.4	236.5	234.3	55	1,451
Oct	239.2	-2.6	239.0	238.0	30	1,110
Total					9,520	42,972

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	7.00	-0.21	7.33	6.98	12,440	69,278
Mar	7.52	-0.22	7.82	7.50	7,520	58,179
May	7.74	-0.19	7.96	7.70	1,285	9,515
Jul	7.85	-0.18	8.05	7.85	95	7,212
Oct	8.13	-0.12	8.20	8.13	78	9,035
Total					21,463	160,919

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	72.95	-0.55	73.20	72.80	268	4,089
Dec	73.78	-0.64	74.20	73.70	3,536	35,008
Mar	73.22	-0.79	73.70	73.20	620	18,966
May	73.25	-0.75	73.70	73.40	197	10,089
Jul	73.80	-0.79	74.35	73.80	163	6,548
Total					4,793	83,764

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.15	-5.55	116.50	111.75	333	94
Nov	111.55	-5.30	116.60	111.50	7,854	18,302
Jan	114.55	-4.95	119.25	114.50	349	5,270
Mar	117.45	-4.95	122.00	117.50	129	2,713
May	120.20	-4.70	121.50	120.00	-	725
Jul	122.95	-4.20	124.50	124.50	3	349
Total					2,666	28,511

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 10	Sep 9	month ago	year ago
1498.2	1502.7	1527.3	1932.0

■ CRB Futures (Base: 1967 = 100)

Sep 9	Sep 8	month ago	year ago
201.53	202.52	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 9	Sep 8	month ago	year ago
143.14	143.81	141.52	194.72

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+10,375	to	488,250
Aluminium alloy	+140	to	75,960
Copper	+7,975	to	357,400
Lead	-290	to	113,025
Nickel	-222	to	58,800
Zinc	-825	to	364,800
Tin	+150	to	8,125

Wool from Mallett & Co

Australian wool prices fell a little further this week. The eastern market indicator was 10 cents down at 527 cents a kg, northern and southern regional indicators were also down 10 to 533 and 521 cents respectively. New Zealand was cheaper for most merinos and crossbreds but dearer for coarser 34-38 micron carpet types. Last week's firmer prices in the carpet sector were confirmed. Prices are softer and competition intense in the apparel sector. There is still reduced capacity working and UK clothing manufacturers have not been too happy at Marks & Spencer publicity this week on the need to source overseas.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	59.825	+0.875	60.450	58.700	9,977	37,320
Dec	62.250	+0.650	62.850	61.250	5,631	26,826
Feb	62.525	+0.500	63.000	61.775	1,705	14,420
Apr	63.775	+0.500	64.050	63.250	1,382	6,630
Jun	61.750	+0.400	62.000	61.300	435	3,877
Aug	61.500	+0.475	61.750	61.400	182	787
Total					19,316	89,879

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	38.375	-0.575	39.900	38.350	3,826	14,428
Dec	38.275	-0.675	39.475	38.100	2,812	10,883
Feb	43.125	-0.375	44.000	42.975	653	4,910
Apr	46.425	+0.400	46.700	46.275	171	1,587
Jun	54.850	-0.050	55.000	54.750	67	826
Jul	55.900	+0.075	56.100	55.800	19	428
Total					7,674	33,314

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	44.550	-2.775	48.950	44.325	868	2,548
Mar	45.100	-2.450	48.850	44.550	22	130
May	47.700	-1.600	49.700	46.500	2	15
Total					892	2,703

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1350	35	74	24	37
1400	14	49	53	61
1450	4	30	93	91
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1600	106	144	11	40
1700	42	87	47	81
1800	11	48	116	140
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1600	31	100	1	21
1650	1	68	21	39
1700	1	44	70	65
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1025	25	62	1	16
1050	4	46	4	25
1075	1	34	25	38
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1300	10	-	-	-
1350	-	61	-	-
1400	-	38	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.65-2.76x	+0.35
Brent Blend (dated)	$12.80-2.85	+0.33
Brent Blend (Oct)	$13.40-3.45	+0.33
W.T.I.	$13.78-3.82x	+0.75

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$148-151	+2.5
Gas Oil	$124-125	+5
Heavy Fuel Oil	$59-60	+0.5
Naphtha	$117-121	+3
Jet fuel	$139-140	+4
Diesel	$134-135	+5

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	12.55-12.60	-0.05

Petroleum Argus. Tel: London (0171) 359 8792

■ OTHER

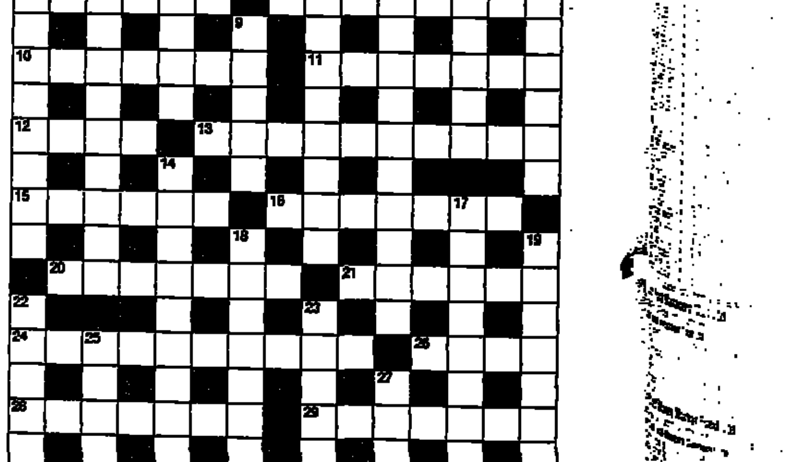
Gold (per troy oz)♣	$291.35	+6.40
Silver (per troy oz)♣	498.00c	+1.50
Platinum (per troy oz.)	$363.00	-6.00
Palladium (per troy oz.)	$288.00	-
Copper	84.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.23r	
Tin (New York)	260.5	+1.0
Cattle (live weight)	79.87p	-3.76*
Sheep (live weight)	78.27p	-6.81*
Pigs (live weight)†	35.72p	-1.34*
Lon. day sugar (raw)	$179.00	-0.20
Lon. day sugar (wte)	$225.10	+0.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	47.00p	
Rubber (Nov)♥	47.50p	
Rubber (KL RSS No1)	257.00m	+2.00
Coconut Oil (Phil)§	645.0y	
Palm Oil (Malay)§	677.5	-2.5
Copra (Phil)§	$415.0y	+2.0
Soyabeans (US)	150.0y	+1.0
Cotton Outlook 'A' Index	66.35	-0.40
Wooltops (64s Super)	300p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. x Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,132 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,784 Set by DARCY



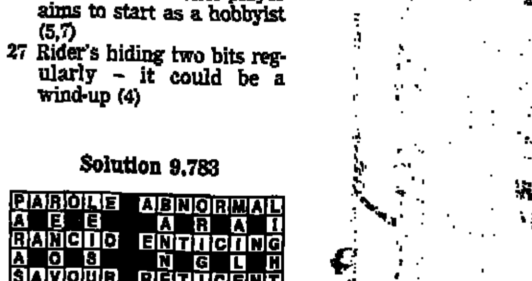
ACROSS

1 Naughty question about salary increase? On the contrary (6)
4 Action-packed, like equestrian competitions? (8)
10, 7 down Dairy product that's a go, if farmer's organised (7,5)
11 So is there room on the top floor? (7)
12 Key in French staff's instruction (4)
13 Moans, as I twitch in awkward situations (10)
15, 16 It's affected the way one speaks of certain colleges (6,7)
20, 21 Where one's missed facing minor charges? (7,6)
24 Neat presentation in a sellers' market (6,4)
26 Very minor part in a single production of "Cats" (4)
28 New hit involves a beat getting to parts of the brain (7)
29 See 25 down
30 Approach meeting cold and on edge (8)
31 Little Scots dish in sentimental film (6)

DOWN

1 Developed chart for an antigen (2,6)
2 Claimed to have represented another's opinions (6,3)
3 Lost millions on painting of mountains? (4)
5, 23 Support for hands-on experience during basic training (8-5)
6 University lad made up, left in cast? Unfortunately not! (2,4,4)
7 See 10 across
8 Schedule involves your traditional musician (6)
9, 18 Walkers' route barred for safety reasons (5,8)
14 Make public aware of exotic "glamour pet" (10)
17 Trousers and shirt, perhaps for a baseball player (9)
18 See 9
19 Victoria may have come from this highly favoured line of descent (4,4)
22 Expert given credit, almost identifying type of acid (6)
23 See 5
25, 29 across Snooker-player aims to start as a hobbyist (5,7)
27 Rider's hiding two bits regularly – it could be a wind-up (4)

Solution 9,783



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Offshore Funds

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

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Bank Von Ernst & Cie AG

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GT Global

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Mercury Asset Management - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

ACM Offshore Funds - Contd.

[illegible]

Credit Suisse Asset Mgmt Funds - Contd.

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

UBS AG - Contd.

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OFFSHORE INSURANCES

[illegible]

Hansard Europe Limited

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†♣	495	-1	645	414	2,673	5.0	12.1
Bulmer (HP)		330xd	—	485½	295	—	5.8	14.5
Burn Stewart	‡	11	—	83½	8½	3	19.3	—
Diageo	♣	583	-40½	795	432	8,916	4.0	34.6
Glenmorangie A		630	—	975½	755	—	2.1	19.3
B		925	—	1098	890	—	1.0	43.1
Highland	†	232½	—	325	225	2	4.8	10.8
5¾pc Cv Sb Bd		94	—	99½	85½	—	6.3	—
Kirin Y		494	+24½	688	416½	—	1.1	—
Matthew Clark	‡	137xd	-2	298	175	54	11.9	4.7
Merrydown		35½	—	74½	35½	—	—	ϕ
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	—	1.4	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share indices.

Approved by the Inland Revenue

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

FT Free Annual Reports Club

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LONDON STOCK EXCHANGE

Clinton fears add to CBI and interest rate gloom

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

An increasingly unhappy UK stock market came under further heavy pressure yesterday with a mixture of worrying international and domestic news driving share prices sharply lower.

Already weakened by Wall Street's Wednesday slide, London was dealt another blow in mid-morning, with news of the latest Confederation of British Industry survey of distributive trades, and again at midday when the Bank of England dashed faint hopes that interest rates might be cut.

The final blow for London stocks came with a steep decline on Wall Street at the outset of trading yesterday. The Dow Jones Industrial Average quickly fell more than 200 points. Many London traders were forecasting more pain for Wall Street, and therefore for global markets, in the short term.

At the London close, the FTSE 100 index was down 174.7 or 3.3 per cent on the day.

And even the FTSE 250 and FTSE SmallCap indices, which have attracted plenty of domestic support in recent sessions, began to feel the effects of a general retreat across the broader market.

Boosted lately by the general concentration on domestic earnings and the better prospects for UK interest rates, the FTSE 250 withstood much of the downside pressure affecting the leaders, even managing a minor gain in midsession.

But that support evaporated, and the 250 index suffered a big sell-off during a testing afternoon that saw it close 59.9 or 1.2 per cent lower at 4,751.8. The FTSE SmallCap dropped 11.4 to 2,101.4.

Marketmakers were quick to point out that the gradual deterioration in the market had been accompanied by a pick-up in the amount of institutional business being put through the market.

"The big funds are now making decisions and today they are to sell into the market," said one dealer. "It's not sensational size but enough to damage the market and to trigger general unease," he said.

Turnover in equities topped the 1bn mark for the first time in many weeks, eventually settling at 1.1bn by the 6pm cut-off point.

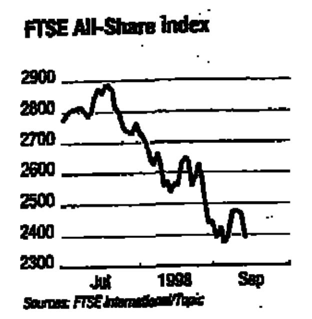
Other market observers warned that the recent rallies have been getting weaker and weaker. "That is always a sign that we're going lower," was one trader's view.

There was no doubt about the factor hurting Wall Street. There were wild rumours circulating in London all day that President Clinton was about to resign. And in purely domestic terms, the subdued Confederation of British Industry's August survey of distributive trades alarmed many dealers, although giving a boost to gilts.

The decision of the Bank of England's monetary policy committee to leave rates on hold was not well received in the stock market, even though the Bank gave a broad hint that rates had peaked and could be cut in future months.

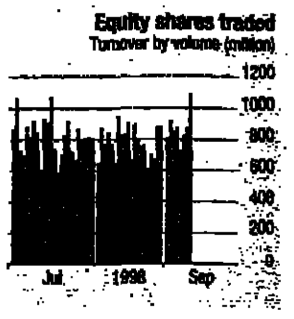
The rapidly diminishing band of market bulls insisted that the emergence of more bids would arrest the slide in the market. Indeed, a counter bid for TLG, from stake-builder Wassall, emerged at the close.

FTSE All-Share Index



Sources: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5136.6	−174.7		FT 30	3217.9	−116.7
FTSE 250	4751.8	−59.9		FTSE Non-Fins p/e	20.46	20.62
FTSE 350	2467.6	−74.3		FTSE100 Fut Sep	5130.0	−183.0
FTSE All-Share	2395.87	−88.93		10 yr Gilt yield	5.23	5.39
FTSE All-Share yield	3.28	3.20		Long gilt/equity yld ratio	1.59	1.67

Best performing sectors

1 Gas Distribution +2.1
2 Water +1.1
3 Utilities +0.8
4 Electricity −0.1
5 Distributors −0.6

Worst performing sectors

1 Insurance −9.1
2 Alcoholic Beverages −6.3
3 Diversified Industrials −4.2
4 Banks: Retail −3.9
5 Engineering −3.8

Analysts take aim at BTR

COMPANIES REPORT

By Joel Kibazo and Martin Brice

BTR suffered a humiliating fall of almost 19 per cent amid some of the heaviest volume in the market as the shares dropped to their lowest level since 1984.

The fall was notable for coming hard on the heels of an announcement by the company that it intended immediately to start a share buy-back, which would normally be expected to lend support to the share price.

The catalyst for the drop was a raft of aggressive downgrades by analysts following results that showed a fall in underlying profits from £360m to £339m, well below some expectations.

The downgrades were said to be producing full-year pre-tax profit forecasts in the range of £640m-£650m, down from a consensus for the year of some £804m. This compares to £1.3bn reported for last year.

Sentiment in the stock was not helped by scepticism at the group's plans to avoid problems from the strength of sterling by moving operations overseas, because of the time this would take.

The shares lost 24¼ to 107¾p. In 1993, they exceeded 400p.

Gas distributor Centrica bucked the poor market trend as analysts prepared to upgrade full-year profit expectations after the company published interim figures at the top end of market forecasts.

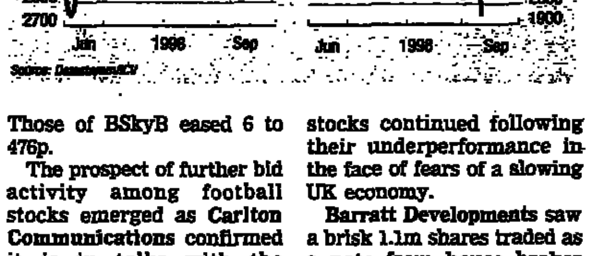
Analysts said they had been greatly encouraged that Centrica had so far maintained its strong market share in the consumer gas market in the face of increasing competition from new providers.

The shares jumped 9¼ or 9.3 per cent to 108p, by far the best performer in the FTSE 100. Volume of 29m also made it the most actively traded Footsie stock.

One oil specialist said: "The reduction in working capital boosted cashflow but there are still reservations on Centrica given the current depressed gas prices in the UK and the likelihood that Centrica will continue to be tightly regulated."

Dealers continued to suggest that the agreed BSkyB takeover of Manchester United would be referred to competition authorities. The latter remained a busy trade and turnover rose to 43m, making it the most active stock in the FTSE 250, as the shares improved 6½ to 222p.

Best and worst performing FTSE sectors



Source: Datastream/ICV

Those of BSkyB eased 6 to 476p.

The prospect of further bid activity among football stocks emerged as Carlton Communications confirmed it is in talks with the unquoted Arsenal FC regarding ways in which the two companies "could work together". Carlton shares eased 2 to 423p.

Few people were surprised when Wassall emerged to make a bid for TLG by trumping the 160p offer from Coopers of the US. The offer of 175p a share in cash from Wassall, which has been steadily increasing its stake in TLG for some time, values TLG at £351m.

It also said yesterday that it now had 34 per cent of TLG's shares, and asked the board to withdraw its recommendation for the bid from Coopers.

TLG shares closed up 8 at a mid-price of 177½p, although the bid price was quoted at 175p, the level of the offer from Wassall. Volume was 19m as Panmure Gordon bought shares in the market. Wassall shares were off 5 at 245p.

Interest in housebuilding stocks continued following their underperformance in the face of fears of a slowing UK economy.

Barratt Developments saw a brisk 1.1m shares traded as a note from house broker Charterhouse Tilney landed on fund managers' desks.

Jonathan Timms at the broker highlighted the stock's high yield and strong balance sheet. He also said that Land Registry figures for the second quarter of the year confirmed that the main slowdown in the market was in the London area, while Barratt, as a national company, should be able to exploit regional market differences to its advantage.

The shares, which have fallen from 341p this year on fears of a slowing housing market, were off 2 at 174½p.

Bryant easier

Bryant, which has fallen out of the FTSE 250 into the SmallCap index, was easier at 89½p. There is said to be buying interest by smaller company funds following the stocks demotion.

Stagecoach was one of the better Footsie performers as the stock gained 13 to £11.33 following a presentation at Charterhouse Tilney on Wednesday.

The bid for engineering company UPF ended just five days after it started, with Charterhouse buying stock from 25 institutions, giving buy-out vehicle Hartrade 95 per cent of UPF shares. The offer was at 112½p and the stock closed unchanged at 112p.

Profit-taking and the dull market combined to take the shine off new FTSE 100 constituent Colt Telecom. The shares moved strongly ahead in early trading, boosted by a broker's recommendation before a late decline left them trailing 22½ to 602½p. Volume was 2.8m.

Lehman Brothers upgraded its recommendation to "buy" from "outperform" and set a share price target of 930p.

Securicor, another new constituent of the Footsie stood out as the only stock to buck the market trend in the telecoms sector. The shares moved 7¾ ahead to 489¾p.

Shares in Shell Transport fell 12 to to 342p, after announcing an interim dividend of 5.3p for 1998 – up 3.9 per cent on the 1997 interim dividend of 5.1p but at the bottom of the range of analysts' forecasts of between 5.2p and 5.9p.

John Toalster at SG Securities was among those disappointed with the planned payout. He said: "Shell appears to have an undiminished capacity to disappoint. It disappointed on its targets for return on capital employed, the second-quarter figures were below expectations and now the dividend is at the bottom of the range." Active trading brought turnover of 23m.

Video publisher VCI continued to increase its premium to the 80p cash bid from **Scottish Media**. VCI gained 4½ to 96p as fund managers protested that the 80p offer undervalued the company, and 130p was closer to the mark.

Scottish Media was off a penny at 655p while Kingfisher, which made a surprise entrance into the story on Tuesday by saying it was considering a higher bid, was down 16 at 518p.

FT 30 INDEX

	Sep 10	Sep 9	Sep 8	Sep 7	Sep 4	Yr ago	*High	*Low
FT 30	3217.9	3334.6	3360.6	3380.6	3284.3	3143.0	3864.0	3214.1
Ord. div. yield	3.32	3.20	3.19	3.18	3.27	3.59	4.22	2.72
P/E ratio net	20.20	20.92	21.04	21.09	20.51	20.49	26.41	15.80
P/E ratio nil	20.12	20.83	20.95	21.01	20.42	20.21	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40 Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3334.6	3302.2	3311.4	3300.7	3280.2	3268.8	3242.3	3226.1	3345.8	3214.1

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STOCK MARKET TRADING DATA

	Sep 10	Sep 9	Sep 8	Sep 7	Sep 4	Yr ago
SEAQ bargains	59,009	53,280	62,357	54,016	50,269	37,309
Equity turnover (£m)†	-	2674.2	2772.5	2605.4	2845.5	2027.7
Equity bargains†	-	42,560	41,178	45,363	38,945	33,868
Shares traded (m)†	-	751.0	848.4	718.8	762.7	784.1
Total market bargains‡	-	55,103	58,429	54,876	51,278	-
Total turnover (£m)‡	-	3614.8	3731.1	3524.2	3922.0	-
Total shrs traded (m)‡	*1096.6	979.2	1061.1	928.8	1009.3	-
Tradepoint turnover (£m)	35.2	32.3	20.3	24.4	25.6	3.9
Tradepoint shrs traded(m)	10.2	10.4	7.3	8.0	10.0	2.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	368	Total Highs	70	Total contracts	43,827
Total Falls	1,248	Total Lows	192	Calls	19,531
Same	1,353			Puts	24,296

Sep 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5240.0	5132.0	-181.0	5300.0	5102.0	52015	170084
Dec	5317.5	5207.0	-183.5	5367.0	5181.5	16365	58879
Mar	5402.0	5254.0	-182.5	5402.0	5402.0	50	1891

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4820.0	4760.0	-70.0	4820.0	4820.0	390	1214
Dec	4877.0	4817.0	-71.0	4877.0	4840.0	406	6484

■ FTSE 100 INDEX OPTION (LIFFE) (*5135) £10 per full index point

	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P
Sep	242½	63½	208	78	173½	93	145	114	118	138	93	164½	74	195	54½	227
Oct	388½	189	355	206	325	228	295½	242½	265½	263	236½	283½	208	307	184½	336
Nov	488	264½	458	284	428	304	398½	323½	369	343½	340	364	316½	385½	294½	411½
Dec	574	322½	544½	342½	514½	357½	484½	375	455½	389½	425	404½	395	424	365½	446½
Jun†			786	528			744½	571			691	615			637½	661

Calls 3,437 Puts 3,048

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P
Sep	224	70	189	85	157	103	128½	123½	103	147	81	174½	62	205½	47	240
Oct	369	192	336	209½	304	227½	273½	247	244½	267½	217½	290	191½	314	166½	341½
Nov	406	268	435	285½	405	305½	376	328	349	348	320½	360½	293½	391	267½	414½
Dec			525½	347½			466½	385½			407	425			354	470
Mar†			604½	464½			623½	499½			592	534½			565	573½

Calls 8,430 Puts 7,614 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	10,124	825	635	Alld Zurich	646½	-83½	W17.7c	3.3	1.7	18.3
*	F.P.	0.38	12½	8	Chaucer A Wrts	12½		-	-	-	-
180	F.P.	1,675	192½	145	Coca-Cola Bev	157	-3½	-	-	-	-
-	F.P.	-	58	55½	Enterprise Cap B Pf	55½		-	-	-	-
§114	F.P.	19.1	117½	84½	†Firestone D'mond	84½		-	-	-	-
-	F.P.	-	149½	80	GEC Put Wrts	104	+21½	-	-	-	-
-	F.P.	4.65	119½	97½	†Inter Link Foods	99½		2.0	3.5	2.5	14.3
§130	F.P.	119.8	129½	120½	Kiln	122½		W-	-	-	14.5
-	F.P.	405.1	98	94	MEPC Non Cum Pf B	96½		-	-	-	-
-	F.P.	14.3	114½	108½	†Metnor	112½	-2	b3.6	-	4.0	-
§	F.P.	5.76	18	15	Murray Extra Fin Cap	15½	-½	-	-	-	-
§100	F.P.	29.2	109	99	Do Inc	106½		b7.95	-	9.3	-
§	F.P.	23.7	100	99	Do Zero Div Prf	99½		-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§65	F.P.	4.05	68½	62½	†Private & Comm Fin	65		R0.6	-	1.2	25
*	F.P.	16.4	65½	37½	†Sodra Petroleum	40½	-2	-	-	-	-
*	F.P.	4.96	103½	90½	†SupaRule	90½		-	-	-	-
-	F.P.	-	34	20½	Syndicate Cap Wts 98/02	21½	-1	-	-	-	-
-	F.P.	176.2	304	150	Torotrak	153½	+1	-	-	-	-
§	F.P.	151.2	520½	504½	Tribune IT Index	512½	-5	-	-	-	-
-	F.P.	-	33½	32½	Walker Greenbank B	33		-	-	-	-
§2	F.P.	2.48	2½	2¼	†Wilnsdow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 9	% chg on day	Sep 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	894.51	−4.0	921.15	1375.73	2.22	-	1535.45	701.58
■ Regional Indices								
Africa (9)	988.00	−4.9	1038.47	1360.45	4.87	39.12	1525.29	765.63
Australasia (7)	989.85	−3.3	1023.39	1549.52	3.18	6.91	1609.85	815.93
Americas (11)	835.59	−3.7	867.33	1371.25	0.81	48.94	1574.16	647.69

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 10	Day's chge%	Sep 9	Sep 8	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5136.6	−3.3	5311.3	5344.2	4854.8	3.21	2.73	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	4751.8	−1.2	4811.7	4804.5	4833.2	3.41	2.89	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250 ex Inv Tr	4813.0	−1.1	4865.2	4856.4	4646.4	3.50	2.97	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2467.6	−2.9	2541.9	2554.2	2345.3	3.25	2.78	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FTSE Actuaries Industry Sectors

	Sep 10	Day's chge%	Sep 9	Sep 8	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	802	495	−49
AMVESCAP	2,400	459	−25
[illegible]	[illegible]	[illegible]	[illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 10 / Sch)

BELGIUM/LUXEMBOURG (Sep 10 / Frs.)

CZECH REP (Sep 10 / Koruna)

DENMARK (Sep 10 / Kr)

FINLAND (Sep 10 / Mkk)

FRANCE (Sep 10 / Frs.)

GERMANY (Sep 10 / Dm.)

GREECE (Sep 10 / Drachma)

ITALY (Sep 10 / Lira)

NETHERLANDS (Sep 10 / Fl.)

NORWAY (Sep 10 / Kroner)

POLAND (Sep 10 / Zloty)

PORTUGAL (Sep 10 / Escudo)

SPAIN (Sep 10 / Pta.)

SWEDEN (Sep 10 / Kronor)

SWITZERLAND (Sep 10 / Frs.)

TURKEY (Sep 10 / Tk Lira)

PACIFIC

JAPAN (Sep 10 / Yen)

HONG KONG (Sep 10 / H.K.$)

INDONESIA (Sep 10 / Rupiah)

MALAYSIA (Sep 10 / MYR)

NEW ZEALAND (Sep 10 / NZ $)

SINGAPORE (Sep 10 / S$)

AUSTRALIA (Sep 10 / Aus$)

SOUTH KOREA (Sep 10 / Won)

TAIWAN (Sep 10 / TW $)

THAILAND (Sep 10 / Baht)

AFRICA

SOUTH AFRICA (Sep 10 / Rand)

AMERICAS

CANADA

TORONTO (Sep 10 / Can $) 4 pm close

MONTREAL (Sep 10 / Can $) 4 pm close

MEXICO (Sep 10 / Peso) 12:30 pm

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY SEPTEMBER 9 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY SEPTEMBER 8 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	173.40	-1.2	154.55	150.25	155.43	196.58	-0.6	3.82	175.44	156.95	146.70	157.71	197.77	238.24	183.86	229.70
Austria (22)	194.45	-0.3	173.31	168.49	174.30	174.20	-0.5	1.94	194.96	174.41	163.02	175.26	175.15	253.73	181.60	198.30
Belgium (22)	371.87	-1.3	331.46	322.24	333.34	326.29	-1.6	2.10	376.68	336.98	314.97	338.61	331.45	398.52	234.39	242.97
Brazil (26)	118.63	-2.9	105.74	102.80	106.34	257.42	-2.7	4.57	122.22	109.34	102.20	109.87	264.57	308.59	118.63	279.16
Canada (119)	182.66	-1.6	162.81	158.28	163.74	201.40	-1.9	2.00	185.62	166.05	155.21	166.86	205.26	248.78	167.18	218.16
Denmark (34)	481.22	-0.4	428.92	416.99	431.35	431.51	-0.5	1.50	483.05	432.13	403.91	434.23	433.45	537.33	379.22	381.19
Finland (28)	432.90	0.2	385.86	375.12	388.05	476.65	0.0	1.93	431.91	386.38	361.14	388.26	476.71	506.46	267.59	297.71
France (78)	301.28	-0.6	268.54	261.07	270.06	273.56	-0.7	2.29	302.95	271.01	253.31	272.33	275.55	345.18	217.58	226.82
Germany (55)	272.71	-0.8	243.07	236.31	244.45	244.45	-1.1	1.30	274.86	245.89	229.83	247.08	247.08	325.61	204.89	223.26
Greece (37)	261.98	1.8	233.51	227.01	234.83	554.39	1.6	1.70	257.39	230.26	215.22	231.38	545.47	333.20	249.18	-
Hong Kong, China (66)	234.81	-2.9	209.29	203.47	210.48	233.62	-2.9	6.54	241.85	216.35	202.22	217.40	240.63	527.00	196.84	527.00
Indonesia (26)	24.48	-3.5	21.82	21.22	21.95	180.25	-2.2	3.63	25.37	22.69	21.21	22.80	184.40	174.57	23.58	174.57
Ireland (16)	433.18	4.4	386.10	375.36	388.30	420.18	4.2	2.26	415.05	371.31	347.06	373.11	403.42	580.44	359.60	370.55
Italy (54)	151.56	-2.6	135.09	131.33	135.85	192.67	-2.9	1.52	155.56	139.16	130.07	139.84	198.32	184.49	100.95	102.32
Japan (480)	84.33	-4.9	75.16	73.07	75.59	73.07	-1.4	1.08	88.67	79.32	74.14	79.71	74.14	125.38	78.40	125.36
Malaysia (106)	111.51	9.9	99.39	96.63	99.96	163.20	9.9	3.81	101.44	90.74	84.82	91.18	148.45	364.86	73.52	364.86
Mexico (29)	883.31	-3.9	787.32	765.42	791.79	10024.68	-2.4	2.72	918.72	821.87	768.19	825.86	10273.28	1901.96	873.28	1753.46
Netherlands (27)	470.17	-1.9	419.08	407.42	421.46	418.11	-2.0	2.21	479.01	428.52	400.53	430.60	426.61	562.38	385.56	398.65
New Zealand (14)	50.49	-1.9	45.00	43.75	45.26	52.91	-1.4	5.80	51.45	46.03	43.02	46.25	53.65	85.87	49.47	87.85
Norway (37)	228.11	-1.7	203.32	197.66	204.47	239.64	-2.0	2.63	232.13	207.66	194.10	208.67	244.48	374.64	208.82	334.90
Philippines (22)	45.90	-4.1	40.91	39.77	41.14	100.30	-3.1	1.63	47.85	42.81	40.01	43.01	103.49	115.62	45.56	115.62
Portugal (18)	254.26	-0.1	226.63	220.33	227.92	307.56	-0.3	1.06	254.59	227.75	212.88	228.86	308.40	299.39	235.61	-
Singapore (41)	112.90	1.4	100.63	97.84	101.21	90.69	2.4	3.33	111.32	99.59	93.08	100.07	88.57	331.17	102.45	331.17
South Africa (39)	170.39	-2.3	151.87	147.64	152.73	232.20	-2.2	3.87	174.33	155.95	145.76	156.71	237.49	346.20	151.56	339.39
Spain (31)	332.22	-1.9	296.11	287.88	297.80	368.47	-2.1	2.07	338.54	302.85	283.07	304.32	376.43	417.73	236.28	261.87
Sweden (49)	490.60	-2.4	437.28	425.12	439.77	577.90	-2.3	2.03	502.72	449.72	420.35	451.91	591.78	628.19	439.98	499.42
Switzerland (28)	382.17	-2.9	340.64	331.16	342.57	335.33	-3.0	1.24	393.70	352.20	329.19	353.91	345.69	439.48	290.19	297.42
Thailand (36)	9.38	-2.0	8.36	8.13	8.41	14.93	-1.1	6.32	9.58	8.57	8.01	8.61	15.09	45.52	8.15	44.34
United Kingdom (210)	343.92	-0.2	306.54	298.01	308.28	306.54	-0.6	3.20	344.60	308.27	288.14	309.77	308.27	401.84	303.41	309.59
USA (623)	409.57	-1.6	365.15	354.99	367.22	409.67	-1.6	1.59	416.50	372.60	348.26	374.41	416.50	485.88	358.31	379.94
Americas (797)	365.34	-1.7	325.64	316.58	327.49	309.79	-1.7	1.63	371.50	332.34	310.63	333.95	315.02	437.03	326.79	347.13
Europe (746)	328.29	-1.1	292.61	284.47	294.28	302.53	-1.3	2.23	331.78	296.81	277.42	298.25	306.60	386.24	268.89	272.08
Eurobloc (351)	95.66	-1.1	85.27	82.89	85.75	92.82	-1.4	1.85	95.78	86.57	80.92	86.99	94.12	113.28	90.92	-
Nordic (149)	449.86	-1.5	400.97	389.82	403.25	456.20	-1.5	1.95	456.64	408.51	381.82	410.49	463.26	555.97	388.51	423.31
Pacific Basin (863)	89.46	-4.2	79.74	77.52	80.19	78.42	-1.3	1.85	93.33	83.49	78.04	83.90	79.46	142.11	83.29	142.11
Euro-Pacific (1609)	188.97	-1.9	168.43	163.74	169.39	162.84	-1.3	2.13	192.64	172.33	161.07	173.17	164.98	220.19	172.03	196.36
North America (742)	394.59	-1.6	351.71	341.92	353.70	395.46	-1.6	1.61	401.16	358.87	335.43	360.62	402.09	468.20	349.06	369.89
Europe Ex. UK (536)	309.02	-1.5	275.44	267.78	277.00	291.35	-1.6	1.77	313.59	280.53	262.21	281.90	296.20	366.32	236.86	245.58
Europe Ex. Eurobloc (395)	88.95	-0.9	79.29	77.08	79.74	88.31	-1.2	2.64	89.80	80.34	75.09	80.73	89.39	103.93	86.54	-
Europe Ex. UK Ex. Eurobloc (185)	91.78	-2.4	81.80	79.53	82.27	89.52	-2.5	1.51	94.05	84.13	78.64	84.54	91.78	109.21	87.93	-
Pacific Ex. Japan (383)	142.77	-1.1	127.26	123.72	127.98	152.10	-0.7	4.89	144.30	129.09	120.66	129.71	153.21	287.15	128.26	287.15
World Ex. Eurobloc (2094)	87.37	-1.9	77.88	75.71	78.32	88.06	-1.5	1.87	89.07	79.68	74.47	80.07	89.42	103.16	83.83	-
World Ex. US (1822)	188.24	-1.9	167.78	163.11	168.73	166.81	-1.3	2.15	191.91	171.68	160.46	172.51	169.08	221.91	175.30	200.68
World Ex. UK (2235)	251.64	-2.0	224.29	218.05	225.57	230.03	-1.6	1.70	256.67	229.62	214.62	230.73	233.78	298.02	234.24	253.10
World Ex. Japan (1965)	346.61	-1.4	308.94	300.35	310.70	339.21	-1.5	1.95	351.60	314.53	293.99	316.05	344.37	411.23	309.33	325.44
The World Index (2445)	259.51	-1.8	231.31	224.87	232.62	237.01	-1.5	1.87	264.20	236.35	220.91	237.49	240.60	305.56	241.30	257.98

Emerging markets: IFC investable indices

Dollar terms

Sept 9 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	613.41	-4.9	-45.0
Brazil	241.80	-2.9	-49.9
Chile	367.14	-0.9	-42.9
Colombia[1]	332.98	+1.1	-59.7
Mexico	382.60	-4.4	-51.5
Peru[2]	146.62	+0.1	-33.8
Venezuela[3]	268.14	-0.9	-70.9
East Asia			
China[4]	26.48	-4.1	-52.1
India[7]	66.62	+0.2	-21.4
Indonesia[8]	12.07	-2.5	-64.1
Korea[5]	25.89	-0.2	+7.7
Malaysia	62.83	+10.2	-31.1
Pakistan[9]	100.58	+2.2	-59.5
Philippines	66.87	-3.9	-40.7
Sri Lanka[10]	59.69	-0.4	-48.7
Taiwan, China[6]	107.68	-0.9	-23.7
Thailand	33.19	+0.1	-29.4
Europe			
Czech Rep	46.87	-2.5	-14.3
Greece	472.06	+1.9	+45.7
Hungary[11]	216.92	+1.2	-31.1
Poland[12]	530.41	+0.3	-11.1
Portugal	282.88	-0.4	+34.0
Russia	19.88	-3.8	-86.6
Slovakia	57.00	-2.5	-42.5
Turkey[14]	158.85	-2.6	-49.1
Mideast/Africa			
Egypt	69.65	-1.0	-25.3
Israel	111.26	-0.5	-8.6
Jordan	229.72	-0.0	+9.3
Morocco	179.90	-1.0	+38.1
S Africa[13]	109.87	-1.1	-38.9
Zimbabwe[15]	129.65	-0.5	-48.5
Regions			
Composite	155.30	-0.8	-36.9
Latin America	344.40	-3.1	-49.2
Asia	77.11	+1.4	-28.4
EMEA	105.06	-0.6	-28.9
Europe	134.47	-0.3	-28.7
Eastn Europe	51.21	-0.6	-63.5
ME & Africa	50.76	-1.0	-29.0

Base date: Dec 1988=100 except those noted which are (1)Feb 1 1991, (2)Dec 31 1992, (3)Jan 5 1990, (4)Dec 31 1992, (5)Jan 3 1992, (6)Jan 4 1991, (7)Nov 6 1992, (8)Sep 28 1990, (9)Mar 1 1991, (10) Dec 31 1992, (11)Dec 31 1992, (12)Dec 31 1992, (13)Dec 31 1992, (14)Dec 31 1992, (15)Aug 2 1993, (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close September 10

NEW YORK STOCK EXCHANGE PRICES

- A -

1998 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chg'e Prev. Close
[illegible]	22	AAR	0.34	1.6	18	222	[illegible]	d21	21	[illegible]
[illegible]	[illegible]	AMP	1.08	2.8	20	14985	38	37	38	[illegible]
[illegible]	[illegible]	AMR			7	13529	53	51	52	[illegible]
[illegible]	13	ASA	0.80	4.2	12	884	19	16	18	[illegible]
45	32½	AbbtL	0.60	1.5	29	21742	41	39	40	[illegible]
[illegible]	7	AbtRH y	0.40	4.4	4	510	9	8	[illegible]	[illegible]
37	25	ABM Ind	0.48	1.9	19	122	25	25	25	[illegible]
25	18	Acptnce			7	147	18	d17	17	[illegible]
43	26	ACE Ltd	0.36	1.3	7	2302	28	d26	26	[illegible]
11½	7	ACM Gvt In x	0.90	10.0	9	581	9	[illegible]	9	[illegible]
8	7	ACM GvOpp y	0.63	8.3		194	7	7	7	[illegible]
10	7	ACM Man y	0.80	10.6		229	8	8	8	[illegible]
8	3	Acme Elect			18	74	4	4	4	[illegible]
[illegible]	2	Acme Mtls				389	2	d2	2	[illegible]
29	19	ACNielsn			25	806	22	20	21	[illegible]
20	14	Acxiom			20	582	14	d14	14	[illegible]
30	22	Adams Expr	0.55	2.4	1	212	23	22	22½	[illegible]
30	12	AdvMic				14954	16	15	16	[illegible]
33	16½	Advest Grp	0.12	0.6	13	296	19	18	18	[illegible]
33	19	Advo Inc			18	240	25	25	25	[illegible]
111	44	Aegon x	0.78	0.8	42	795	91	90	91	[illegible]
14	6½	Aerfin				525	7	7	7	[illegible]
72	40	Aero-V x	0.88	2.2	8	1598	40	d38	39	[illegible]
58	23	AES Corp			23	12013	28	25	26	[illegible]
89	60	Aetna	0.80	1.3	12	12357	64½	62	63	[illegible]
39	24	AffCom			28	573	33	31	32	[illegible]
38	22	Aflac	0.28	0.9	18	2507	28	27	27	[illegible]
30	8	AGCO	0.04	0.5	3	6870	8½	d8	8	[illegible]
22	17	AGL Res	1.08	5.8	15	482	18	17	18	[illegible]
83	48½	Ahmson	0.88	1.6	13	12083	55	54	54	[illegible]

[illegible]

advertisement

EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 10-09-1998	Close 10-09-1998	Previous 09-09-1998	Change on day	% Change	1998 High	1998 Low
Financials	USD	1833.14	1813.81	1906.85	-93.04	-4.91	2451.60	1364.48
IN-FIN	DEM	2180.29	2146.29	2310.64	-164.35	-7.11	3060.15	1641.19
Non-durable goods	USD	1678.12	1667.64	1705.38	-37.74	-2.21	1780.72	1163.48
IN-GOODS	DEM	1986.85	1972.81	2064.15	-92.34	-4.47	2195.63	1399.43
Oils	USD	1221.54	1216.08	1243.61	-27.53	-2.21	1633.98	1132.90
IN-OIL	DEM	1453.20	1438.04	1505.38	-67.34	-4.47	2057.16	1398.72
Pharma-chemicals	USD	1405.48	1398.46	1435.58	-37.12	-2.58	1699.88	1227.69
IN-PHARMA	DEM	1672.02	1653.70	1737.75	-84.05	-4.83	2115.51	1475.94
Telecoms	USD	2142.47	2127.36	2209.09	-81.73	-3.70	2432.22	2046.51
IN-TELCO	DEM	2548.26	2515.64	2674.08	-158.44	-5.92	3072.36	2512.66

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d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 9	Sep 8	Sep 7	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7865.02	8020.78	(c)	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.44	104.86	(c)	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	2691.20	2749.30	(c)	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	278.29	278.88	(c)	295.48 (6/7)	262.66 (9/1)	295.48 (6/7/98)	16.53 (8/7/32)

DJ Ind. Day's high 8094.16 (8103.69) Low 7798.78 (7778.03) (Theoretical♣)
Day's high 8050.57 (8033.14) Low 7851.89 (7645.14) (Actual♣)

Standard and Poors	Sep 9	Sep 8	Sep 7	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1006.20	1023.46	(c)	1186.75 (17/7)	927.69 (8/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1203.88	1223.30	(c)	1389.48 (17/7)	1077.40 (9/1)	1389.48 (17/7/98)	3.52 (30/6/32)
Financial♥	106.92	108.75	(c)	147.89 (14/7)	102.89 (4/9)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	500.57	508.59	(c)	608.75 (17/7)	486.60 (31/8)	608.75 (17/7/98)	4.54 (25/4/42)
Amex Comp	613.44	624.73	(c)	753.67 (22/4)	565.07 (31/8)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1624.55	1650.86	(c)	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	352.69	361.93	(c)	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	129.38 (7/12/93)

■ RATIOS

	Sep 4	Aug 28	Aug 21	Year ago
Dow Jones Ind. Div. Yield	1.95	1.84	1.44	1.67
	Sep 9	Sep 2	Aug 26	Year ago
S & P Ind. Div. yield	1.43	1.47	1.33	1.54
S & P Ind. P/E ratio	29.54	28.84	30.83	24.80

US DATA

■ MARKET ACTIVITY

● Volume (million)	Sep 10	Sep 9	Sep 8
NYSE	879.945	704.370	814.870
Amex	38.076	26.297	38.322
NASDAQ	769.807	698.243	783.606

NYSE	Sep 10	Sep 9	Sep 8
Issues Traded	3,513	3,503	3,519
Rises	775	908	2,515
Falls	2,348	2,144	612
Unchanged	390	451	392
New Highs	21	21	25
New Lows	528	201	129

■ NYSE TRADING ACTIVITY

Volume : 879,945,850

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Travlr	12,392,300	39½	-⅞
Citicp	11,372,200	88¼	-6¼
NatnBk	9,577,800	58¾	-3⅞
Compaq	9,242,800	30⅞	-⅞
ChaseM	8,187,700	42¾	-2
MerLyn	8,885,200	55¾	-3⅞
Telebras	8,853,800	51½	-8¼
GenElec	8,776,800	77¼	-3¼
CirCbCrn	8,464,100	41	-¾
Schlmb	8,375,000	49¾	+1¼

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Marine Dr	10⅞	+1¾	+19.3
NewmtM	20⅞	+3⅛	+17.5
NewmontG	22⅞	+3¼	+16.8
OrydEn	13¾	+1¾	+13.8
Downs			
Imperl Bc	16½	-2⅞	-15.1
Telebras	51½	-8¼	-14.2
CaseCp	23¾	-3¾	-14.0
Fruitl.com	19⅞	-2⅞	-12.8

■ NASDAQ TRADING ACTIVITY

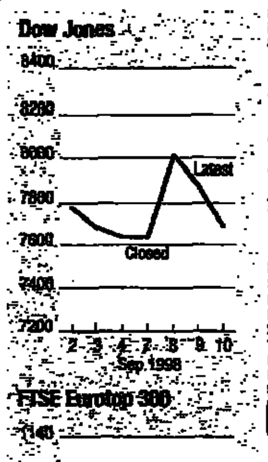
Volume :769,807,866

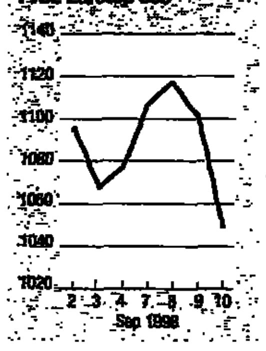
■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
DellCmp	37,474,000	54⅞	-2¼
Intel	19,209,100	78⅞	-2¾
CiscoSys	16,986,000	86½	-2⅛
3Com	14,654,300	27⅛	+1⅞
Micsft	14,414,000	100¾	-1½
Clena Cp	13,862,800	19¾	-3¾
WrldCm	13,886,100	45⅞	-1⅛
AscendCom	10,100,200	43¾	+1¾
GlobstarTel	9,882,100	10⅛	-7⅛
Tellabs	9,053,300	44⅛	-¾

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Tel-Save	13⅞	+1⅞	+16.1
Gtilleads	12⅛	+1⅞	+15.5
Avison	17⅛	+2¼	+15.1
Biogen	58¾	+7⅛	+13.8
Downs			
SiliconVBc	14⅞	-10⅞	-42.8
GlobstarTel	10⅛	-7⅛	-40.9
YngBrdcst	33⅞	-12⅞	-26.9
Millicm	24¼	-6	-19.8





JAPAN

	Sep 10	Sep 9	Sep 8	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14666.03	14755.54	14913.49	17264.34	13915.63	38915.9	85.25

Day's high: 14802.08. Day's low: 14530.92.

■ TOKYO TRADING ACTIVITY — Volume : 364,000,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
FujiBk	17,120,000	333	+4
NpStl	12,274,000	220	-2
Sakura	9,759,000	254	+6
NKK	9,410,000	92	-4
DaiwaSc	8,199,000	410	-37
Fujitsu	7,991,000	1221	-23
Tshiba	7,860,000	470	-4
LgTmCr	6,588,000	52	-2
NEC	6,321,000	928	
STokM	5,266,000	1067	-7

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Daikyo	147	+8	+6.5
Taisei	233	+13	+5.9
JkegTs	274	+13	+5.0
NmiSan	1180	+55	+4.9
Downs			
Ng'kiya	115	-28	-19.4
DaiwaSc	410	-37	-8.3
Takdea	175	-15	-7.9
YamKog	702	-59	-7.8

FRANCE

	Sep 10	Sep 9	Sep 8	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3589.35	3782.13	3803.74	4388.48	2862.54	4388.48	964.61

Day's high: 3724.34. Day's low: 3570.58.

■ PARIS TRADING ACTIVITY — Volume : 754,274,610

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Usinor	2,781,219	57.85	-4.2
BNP	1,917,799	337.8	-32.2
SocGen	1,591,866	841	-113
FrTele	1,371,508	424	-10.5
Paribas	1,358,422	420	-34.5
RhonPA	1,118,213	271.5	-13.5
Axa	1,089,073	581	-37
Alctel	942,081	960	-71
AGF	904,825	309.5	-9.6
Schndr	878,449	305.1	-34.9

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Immobnq	669	+28	+4.4
Finaxa	550	+14	+2.6
Downs			
DassSy	203	-33	-14.0
SocGen	841	-113	-11.8
Schndr	305.1	-34.9	-10.3
STMicro	319	-36	-10.1
CPR	295	-31.4	-9.6
G'plays	401	-39	-8.9

GERMANY

	Sep 10	Sep 9	Sep 8	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4747.33	5040.87	5103.84	6171.43	4087.28	6171.43	931.18

Day's high: 4861.89. Day's low: 4725.11.

■ FRANKFURT TRADING ACTIVITY — Volume : (u)

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Lufthn	1,295,975	36.65	-3.6
Bayer	992,134	64	-3.1
Dt Bk	889,752	103.5	-6
BASF	708,484	83.2	-4.3
DresdBk	874,884	70.2	-3.2
Daimlr	633,682	154.5	-8.1
BayHyV	617,336	119.6	-10.7
Cmrzbk	581,997	50.05	-2.75
Dt Tel	554,494	51	-2.7
Veba	359,978	91.9	-3.4

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
HorBmk	71	+2	+2.9
MchRkD	490	+10	+2.1
Downs			
BMWPf	735	-75	-9.3
Luftha	36.65	-3.6	-8.9
DtdWrk	133	-12	-8.3
BayHyV	119.5	-10.7	-8.2
VW	124.5	-11	-8.1
Hizmna	270	-23.5	-8.0

UK

	Sep 10	Sep 9	Sep 8	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5136.6	5311.3	5344.2	6179.00	5068.80	6179	986.9

Day's high: 5311.3. Day's low: 5127.8.

■ LONDON TRADING ACTIVITY — Volume : 1,066,800,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Man United	43,286,150	222	+8½
Centrica	29,641,190	106	+9¼
Halifax	28,240,690	715	-5
Emerald Eng	22,859,380	7¼	+½
BTR	22,709,180	107¾	-24¾
TLG	19,830,640	177½	+8
Heywood Wm	18,306,070	211½	+1½
Rolls Royce	16,413,770	188	-2
Rebicon	16,250,960	230	
Caradon	15,417,360	138	+2½

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Willoughbys	122½	+27½	+29
Leeds Sport	19¼	+3	+17.9
Iwerna West	38	+5	+15.2
Chelsea Vlg	88½	+10	+12.7
Downs			
Royal Doulton	106	-27½	-20.8
BTR	107¾	-24¼	-18.4
Clyde Blower	60½	-11	-17.9
Network Tech	43½	-8	-15.5

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	1001.80	986.00	-15.00	1002.20	987.00	186,213	286,914
Dec	-	1013.20	-	-	1012.50	54,671	147,061
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	14770.0	14600.0	-110.0	14920.0	14520.0	20,819	116,007
Dec	14730.0	14480.0	-190.0	14850.0	14430.0	25,572	134,373

Open interest figures for previous day.

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Sep	3755.0	3596.5	-171.5	3755.0	3575.0	87,877	197,752
Dec	3761.5	3628.0	-171.5	3761.5	3636.0	180	23,557
■ DAX							
Sep	4890.0	4744.0	-196.0	4890.0	4681.0	41,508	80,925
Dec	4925.0	4776.5	-196.0	4925.0	4725.0	4,109	14,218

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
Sep	647.00	656.00	-22.50	647.00	628.00	39,305	158,854
Oct	646.00	639.00	-19.00	647.25	632.25	2,317	2,806
■ SOFFEX							
Sep	6690.0	6470.0	-333.0	6755.0	6415.0	9,661	29,267

Dec6528.86498.5-391.26528.86528.81,9061.041

WORLD MARKETS AT A GLANCE

Country	Index	Sep 10	Sep 9	Sep 8	1998 High	1998 Low	♣ Yield	♣ P/E
Argentina	General	12903.23	13716.35	14038.88	23485.47 23/3	12903.23 10/9	4.27	12.4
♣Shares under pressure on fears of economic problems in Brazil and a weak Dow.								
Australia	All Ordinaries	2526.3	2542.5	2555.2	2881.40 16/4	2458.29 1/9	3.48	18.5
	All Mining	555.9	568.3	586.0	713.10 23/4	489.80 31/8		
SGIO Insurance soared as Wesfarmers raided the market for 14.9 per cent ahead of making a A$330m bid after market closed.								
Austria	Credit Aktien	(u)	408.38	396.33	584.34 28/5	386.17 3/9	1.91	12.1
	ATX Index	1186.11	1206.69	1207.81	1628.56 28/5	1124.76 3/9		
Market dragged down by further slide in Bank Austria on lingering concerns over its Russian exposure.								
Belgium	BEL20	3204.93	3305.73	3384.23	3632.07 20/7	2357.78 10/1	1.7	20.8
Financial issues took the hardest hits in market dragged down by Wall Street and dollar.								
Brazil	Bovespa	4972.0	5955.0	5818.0	12289.80 15/4	4972.80 10/9	na	na
♣Shares pushed down by a renewed outbreak of devaluation fears as foreign money continued to flee country.								
Canada	TSE 100♦	353.02	360.35†	366.73	475.89 25/5	338.52 31/8	1.94	19
	Metals Mnls♦	2804.01	2899.13	2947.26	4390.01 10/3	2500.10 31/8		
	Composite♦	5759.90	5871.78†	5977.05	7822.30 22/4	5530.70 31/8		
	Portfolio§§	2948.23	3010.71†	3079.10	3985.81 25/5	2804.59 31/8		
Tracked Wall Street steeply lower in early trading in spite of determined rally by heavyweight gold sector.								
Chile	IGPA Gen♥	3018.98	3120.64	3144.41	4861.95 17/3	3018.98 10/9	4.17	9.9
♣Shares fell as traders squared positions ahead of today's public holiday.								
China	Shanghai B	30.64	30.01	31.75	59.88 10/2	28.25 12/8	1.48	29.6
	Shenzhen B	63.39	61.06	62.20	98.97 10/2	49.88 13/8		
Buying from domestic investors pushed hard-currency shares higher with firm renminbi-denominated shares.								
Colombia	IBB	(d)	800.47	803.91	1431.48 7/1	808.47 9/9	na	na
Czech Republic	PX 50	379.2	385.9	404.0	517.30 23/3	379.70 3/9	na	na
Blue chips followed shares on European bourses down. Savings bank Ceská spořitelna led losers with 12 per cent fall.								
Denmark	CopenhagenSE	639.85	656.02	654.87	778.84 7/4	637.39 1/9	1.61	17.3
Dealers forecast more falls ahead in response to weak dollar and growing fears of Clinton impeachment.								
Egypt	Cairo SE Gen	362.67	363.01	364.57	393.19 21/4	345.40 2/2	na	na
Further profit-taking after last week's advance left prices lower.								
Finland	HEX General	4302.90	4548.69	4550.35	5503.43 21/7	3228.43 12/1	2.36	14.1
Bears resumed control and main indices erased almost all gains made in rally from last week's seven-month lows.								
France	SBF 250	2301.55	2400.39	2418.27	2789.73 17/7	1873.10 12/1	2.52	17.4
	CAC 40	3589.35	3782.13	3803.74	4388.48 17/7	2882.54 12/1		
Banks weighed heavily as investors dumped shares after first-half provisions put spotlight on volatile emerging markets.								
Germany	FAZ Aktien	1537.28	1591.22	1583.36	1940.80 20/7	1334.15 12/1	1.47	20.7
	Commerzbank	4575.4	4737.50	4657.70	5712.88 20/7	3826.28 12/1		
	DAX‡	4747.33	5040.87	5103.84	6171.43 20/7	4087.28 12/1		
Heavy losses on Wall Street and weak dollar put pressure on export-oriented stocks.								
Greece	Athens SE	2210.38	2214.23	2180.35	2825.52 21/7	1380.13 29/1	2.01	16.7
	FTSE/ASE 20	1342.90	1348.03	1327.87	1722.13 21/7	766.18 29/1		
Early sharp drop, in line with neighbouring markets, almost erased by upbeat industrials.								
Hong Kong	Hang Seng	7849.98	7905.45	8189.25	11810.83 25/3	6660.42 13/8	5.31	9.3
	HSCC Red Chip	758.71	727.00	757.36	1775.09 27/2	578.97 1/9		
Slipped back as volumes eased to HK$4.29bn. China plays up against trend on hopes of an interest rate cut in China.								
Hungary	Bux	4828.57	5067.55	5051.10	8018.36 23/4	4828.57 10/9	na	na
Shares tumbled as investors decided to lock in profits gained earlier this week.								
India	BSE Sens.	3108.67	3097.12	3086.10	4280.96 21/4	2862.55 1/9		
	Crisil 500	611.40	611.75	608.81	816.82 21/4	573.02 18/8	na	na
Stocks higher for seventh straight session although activity limited to few index heavyweights.								
Indonesia	Jakarta Comp.	327.27	325.76	330.43	554.18 2/2	325.58 4/9	2.88	13
Mood remained depressed by concern over escalating student protests and falls beat rises by 3 to 2 in thin turnover.								
Ireland	ISEQ Overall	4096.69	4215.94	4072.68	5471.81 21/4	3824.39 7/9	2.43	14.9
Stocks lost footing after two days of gains, led lower by weakened financials.								
Israel	Tel Aviv 100	287.77	294.05	298.75	337.43 8/6	283.32 11/2	na	na
Shares marked down and traders said external factors would continue to determine market's direction.								
Italy	BCI Comit 30	293.38	313.08†	320.03	386.98 29/7	254.84 2/1	1.93	22.9
	Banca Com Ital	1258.9	1326.84	1327.95	1654.36 7/4	1072.35 2/1		
	Mibtel General	19718.0	20820.0	21345.0	26377.00 6/4	17206.00 2/1		
Three blue-chip banks suspended limit down amid investor worries about Wall Street losses.								
Japan	Nikkei 225	14666.03	14755.54	14913.49	17264.34 2/3	13915.63 28/8	0.99	38.9
	Nikkei 300	217.49	218.64	222.21	257.43 10/2	212.38 28/8		
	Topix	1109.91	1116.01	1131.01	1308.30 10/2	1086.99 28/8		
	2nd Section	1181.40	1184.94	1183.35	1491.27 13/2	1173.76 14/1		
Bank of Japan's surprise interest rate cut failed to inspire equities despite pushing bond yields to record lows.								
Jordan	Amman SE	(u)	177.73	177.89	194.82 17/3	164.54 30/1	na	na
Malaysia	KLSE Comp.	380.20	389.65	349.56	745.38 27/2	282.78 1/9	3.6	11.4
Volatility and volumes continued to ease as investors adapted to the new rules; many foreigners still holding to sell.								
Mexico	IPC	2956.05	3187.28	3237.24	5284.00 2/1	2858.65 10/8	1.99	9.1
♣Activity described as heavy as central bank intervened to support peso.								
Morocco	CASA	864.15	870.71	870.50	989.98 1/9	686.57 21/1	na	na
Netherlands	CBS TRtnGen	1176.3	1238.6	1261.6	1493.60 20/7	1045.20 12/1	2.19	20.8
	CBS All Shr	663.3	698.4	711.4	845.10 20/7	589.20 12/1		
Bearish sentiment deepened on early Wall Street losses and further erosion in dollar.								
New Zealand	Cap. 40	1760.76	1793.15	1809.67	2359.82 20/3	1760.08 1/9	5.63	15.4
Weak in thin trade of NZ$68.5m in spite firmer bonds and stable local dollar.								
Nigeria	SE All-Share	5730.72	5744.18	5760.42	6504.87 11/2	2236.40 12/1	na	na
Norway	Oslo SE Ind	1696.98	1728.05	1744.25	2370.08 4/5	1640.78 3/9	2.15	12.1
Rising oil prices insufficient to lift sentiment although market managed to fend off heavier losses seen elsewhere.								
Pakistan	Karachi SE	1044.81	1034.68	1005.66	1746.31 2/1	765.73 14/7	na	na
Volatile trade as investors awaited the finalisation of a $1.5bn Islamic Development Bank-led loan package.								
Peru	Lima Gen	1297.25	1327.79	1327.42	1903.81 4/5	1230.06 1/9	na	na
Philippines	Manila Comp	1100.17	1157.43	1192.08	2311.42 25/3	1100.17 10/9	2.19	9
Fears over deteriorating local economy combined with a weakening yen to send shares sharply lower.								
Poland	WIG	12585.9	12657.5	12753.0	18882.70 11/3	10883.78 1/9	3.35	4
Shares marked down in spite of unexpected interest rate cut by central bank.								
Portugal	BVL 30	4713.95	4892.82	4909.18	6176.88 22/4	3879.27 3/1	2.05	28.3
	PSI 20	10687.96	11124.16	11161.65	14282.59 22/4	9031.84 3/1		
Banking sector led sharp retreat when trade resumed after 50 minute interruption due to technical fault.								
Russia	RTS	64.60	61.63	62.61	411.61 5/1	61.43 3/9	na	na
Strong gains recorded after nomination for prime minister of acting foreign minister Yevgeny Primakov.								
Singapore	SES All-S'pore	268.71	275.25	269.49	437.98 19/3	253.20 4/9	3.3	12.6
	Straits Times	865.00	885.46	868.86	1898.75 19/3	805.04 4/9		
Malaysian OTC shares led falls with the UOBOTC index down 6.2 per cent.								
Slovakia	SAX	107.94	108.85	111.29	182.48 5/1	107.03 1/7	na	na
More losses in drug maker Slovakofarma contributed to further index slide								
South Africa	JSE All Share	4852.7♥	4975.3	5050.0	8358.70 20/4	4791.18 3/9		
	JSE Gold	1015.2♥	952.1	998.5	1152.70 6/7	672.60 18/3		
	JSE Indl.	5502.5♥	5758.8	5835.1	9942.70 20/4	5502.50 10/9	4.12	8.9
Gold shares shook off mantle of gloom as rest of market took heavy tumble.								
South Korea	KoreaCompEx**	336.95	329.22	326.35	574.35 2/3	280.00 16/6	1.52	15.4
Driven higher in late buying spree by futures-linked trading. Bank sector jumped 7.5 per cent in merger expectations.								
Spain	Madrid SE	710.35	757.98	771.08	947.62 17/7	645.14 12/1	2.07	21.1
Strong ties of many companies with Latin American emerging markets made for hefty losses.								
Sri Lanka	CSE All Share	482.2	476.20	473.70	789.70 4/5	481.98 3/9	na	na
Retail support for blue chips helped lift prices.								
Sweden	AffarsvarldnGen	3089.4	3179.1	3240.8	3855.69 20/7	2853.10 12/1	2.28	19
Market significantly weaker but off lows on foreign selling of Skandia and Ericsson.								
Switzerland	SMI Index	6502.3	6802.4	7033.8	8412.08 21/7	6082.18 12/1	1.33	22.1
	SPI General	4105.77	4278.89	4398.45	5237.38 20/7	3761.36 12/1	na	na
Financials again hit by heavy selling.								
Taiwan	WeightedPr.**	6803.83	6894.57	6942.28	9277.09 2/3	6251.38 3/9	1.57	18.4
Followed Wall Street lower and volume eased to T$82.4bn. Electronics sector lost 1.8 per cent.								
Thailand	Bangkok SET	218.91	213.98	212.85	558.92 3/2	207.31 4/9	5.3	34.3
Late surge in transportation sector lifted the SET Index. Turnover was very thin at Bt763m.								
Turkey	IMKB Nat 100	2487.97	2600.04	2658.39	4530.99 16/7	2487.97 10/9	4.35	10.4
Shares lower in bearish afternoon trade as foreign market jitters discouraged fresh entry of cash.								
Venezuela	IBC	2726.46	2821.04	2856.19	7868.82 23/3	2726.46 10/9	na	na
♣Shares dropped in morning trade as markets crashed around region.								
Zimbabwe	ZSE Industrial	(u)	(u)	(u)	8795.71 31/3	5441.85 1/9	na	na
Industrials posted second fall of week with further weakness predicted.								
WORLD	FT/S&P World($)	(u)	259.51	264.20	305.82 17/7	243.88 9/1	na	na
	MS Capital Intl$	(u)	983.2*	998.1	1143.88 20/7	888.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	2914.00	3061.69	3118.87	3670.82 20/7	2574.51 12/1		
	DJ Euro Stx 50	2903.71	3051.49	3105.31	3668.48 17/7	2408.81 12/1		
	FTSE E300	1051.30	1100.92	1118.32	1327.88 20/7	971.93 12/1		
	FTSE E100	2422.83	2541.68	2585.24	3068.91 20/7	2238.48 12/1	na	na
	HSBC Drgn	(u)	168.25	170.01	273.91 26/3	162.78 7/8	na	na
	ING Brngs Emrg	(u)	93.98	94.38	180.08 22/4	88.78 1/8	na	na

** Sat Sep 5: Taiwan Weighted Price 6755.71; Korea Comp Ex 318.83. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Sep 10: 4744.05 -214.30. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market indices. ♣ Midsession.

THE NASDAQ STOCK MARKET

4 pm close September 10

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close September 10

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

[illegible]

STOCK MARKETS

Impeachment talk adds to uncertainty

WORLD OVERVIEW

The possibility that President Clinton might be impeached was the latest piece of bad news to depress global equity markets, *writes Philip Coggan*.

While his departure might make little difference to economic policy (and far less than, say, the resignation of Alan Greenspan), the uncertainty created by the impeachment talk was the last thing that nervous investors needed. And it did not help that some of the bearish themes of the last few weeks repeated themselves.

Shares in Société Générale fell sharply as it revealed FFr6bn of provisions to cover emerging market losses, and bank stocks in general continued to take a battering.

Concerns about the outlook for US corporate profits were highlighted by the warning from Procter & Gamble, the US consumer goods giant, on Wednesday.

And Latin America, seen by many as the "next domino" in the emerging markets, suffered big stock market losses after the Brazilian central bank announced a deterioration in the government's finances. Brazil has been suffering a foreign exchange drain as investors worry about devaluation.

In the midst of all this, Russian president Boris Yeltsin gave up on the candidacy of Victor Chernomyrdin as prime minister and switched to Yevgeny Primakov. Since Mr Primakov is acceptable to parliament, that at least gives Russia a government, but the new man is not seen as a reformer.

MORNING'S CHANGES

	% Change
São Paulo	-11.5
Buenos Aires	-7.3
Mexico City	-6.4
Santiago	-6.3
Caracas	-3.3

All this weighed heavily on equity markets, with investors switching into the safe havens of bonds and gold. On Wall Street, the Dow Jones Industrial Average quickly lost more than 200 points and by lunchtime in New York, it had lost all the ground gained in Tuesday's record points rise.

European markets had started to weaken on Wednesday but yesterday's setback decisively put paid to the mini-rally that began on Friday. Both Paris and Frankfurt lost more than 4 per cent. The fall in the dollar, which was linked to President Clinton's problems, was another depressant for European bourses.

While it is too early to describe the correction as bear market, the pattern of temporary rallies that give way to further precipitate declines, is a classic symptom of bearish phases.

Dow tumbles on concerns for presidency

AMERICAS

US shares tumbled in early trading as Treasuries pushed higher on growing concerns about the Clinton presidency and renewed Latin American worries, *writes John Labate in New York.*

The Dow Jones Industrial Average went into a nosedive as Congress met to discuss issues concerning potential impeachment proceedings against President Clinton. Sentiment was also deeply undermined by currency pressure and a severe shakeout for equities across Latin America.

Banking shares took a pounding, with the Philadelphia Stock Exchange's bank index tumbling more than 5 per cent to 617.34. Among the steepest fallers were money centre banks, with Citicorp down more than 7 per cent or $7⅞ at 86¼.

The Dow was down 242.02 to 7,623.00 by early afternoon, a loss of more than 3 per cent, with the blue-chip index coming within 100 points of last week's lows. The Standard & Poor's fell 25.72 to 980.48.

Among Dow stocks, American Express was off more than 7 per cent to $70⅜.

Brokerage shares also fell back sharply, with Merrill Lynch down 10 per cent or $5⅜ at $53¼. Hambrecht & Quist tumbled more than 14 per cent to $18¼.

Technology and small-cap shares were hurt less than blue chips, with the Nasdaq composite off 41.98 or 2.6 per cent at 1,582.57. The Russell 2000 index of small-cap shares was down 7.23 to 345.46.

As stocks plunged, US Treasury notes and bonds surged in price across the maturity range, with some issues notching up record low yields. The benchmark long bond was up ⅜ to 104⅜, yielding 5.214 per cent.

Software leader Microsoft was down $2⅜ to $99⅜ one day after the company issued subpoenas to its rivals related to the US government's anti-trust case against it.

TORONTO tracked Wall Street steeply lower in early trading in spite of a determined rally by the heavyweight golds sector where morning gains of 5 per cent were commonplace.

By noon, the 300 composite index was off 99.08 at 5,772.70 in good two-way volumes as the weak opening on Wall St and a surge for local bonds combined to depress investor sentiment.

Banks led the way lower in spite of talk that the government is set to recommend that the ban on bank mergers be lifted.

Royal Bank of Canada came off 95 cents at C$59.95 and Bank of Nova Scotia 75 cents at C$26.40.

Currency fears trigger Latin American rout

Latin American markets fell steeply in morning trading as worries about the stability of a number of currencies sparked a wave of selling across the region.

SAO PAULO streamed lower from the opening bell, pushed down by a renewed outbreak of devaluation fears as foreign money continued to flee the country.

Outflows from commercial and floating financial markets totalled $1.14bn on Wednesday.

By midsession, the benchmark Bovespa index was off 643 or 11.4 per cent at 5,012. The leading blue-chip fallers were Telebrás, down 11.1 per cent at R$62.30, and Petrobrás, which lost 13.6 per cent at R$101.99.

MEXICO CITY also plunged. Share market activity was described as heavy as the central bank intervened to support the peso and the local money markets surged, lifting overnight Cetes to 40 per cent.

The IPC index was down 198.12 or 6.3 per cent at 2,969.14 at midsession.

SANTIAGO fell as traders squared positions ahead of today's public holiday. By midsession the IPSA index was off 3.43 at 56.17, a decline of 5.8 per cent. Volumes were said to be minimal.

CARACAS, hit earlier this month by an effective devaluation of the bolivar following a widening of the central bank's trading band, shed 92.14 or 3.3 per cent to 2,728.90 on the IBC index.

Loan exposure weakens banks

EUROPE

Bank shares were sucked into a whirlpool of selling yesterday as concern about the industry's emerging market exposure climbed to new highs.

French banks led the rout with the early run of half-year results from the sector failing to reassure investors.

Société Générale fell 11.8 per cent in turnover of FFr1.4bn. The bank, which spelt out first-half emerging market provisions late on Wednesday, but disappointed analysts by not detailing the amount of overall lending exposure, gave up FFr113 at FFr841.

BNP fell FFr32.20 to FFr337.80, Paribas tumbled FFr34.50 to FFr420 and CCF lost FFr26.10 at FFr385.90.

German banks remained under pressure with Hypo-Vereinsbank tumbling DM7.15 to DM118.70. Deutsche Bank lost DM6.25 to DM102.10, Dresdner Bank fell DM2.05 to DM70.45 and Commerzbank DM1.68 lower at DM50.22.

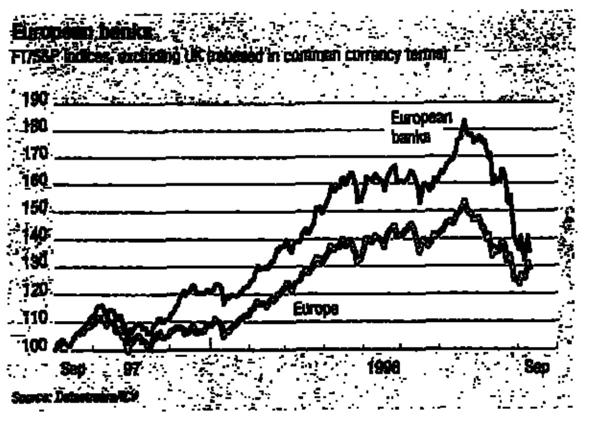
THE DAY'S CHANGES

	% Change
Madrid	-6.3
Helsinki	-5.4
Milan	-5.3
Amsterdam	-5.1
Paris	-4.6
Zurich	-4.4
Frankfurt	-4.3
Stockholm	-2.6
Moscow	+4.8

Swiss banks resumed their slide after Wednesday's news that Credit Suisse's investment banking arm, CS First Boston, had $3.9 billion of exposure to Russia and Brazil.

Credit Suisse, down almost 10 per cent on Wednesday, lost another SFr14 to SFr198, as banking analysts took contrasting views on the stock. Morgan Stanley upgraded its investment rating and said its share price target was SFr245.

Lehman Brothers, however, cut its rating, saying that the downgrade reflected CSFB's $250m losses by the end of August because of its exposure to Russia. Lehman added that uncovered exposures remained substantial and further charges seemed likely. Rival UBS was down SFr40 at SFr486.



In Vienna, Bank Austria took another beating, dropping Sch39 to Sch608 after a 6 per cent slide on Wednesday as investors continued to focus on its Russian liabilities.

Italian banks were hard hit with three blue-chip financials suspended limit down: BCI down L958 to L9,213, Banca di Roma L264 lower at L2,662 and San Paulo off L2,175 at L20,136.

Sentiment was equally depressed in Spain where Latin American devaluation scares were again rife.

Santander fell Pta235 to Pta2,295 and BBV lost Pta205 or 11.1 per cent to Pta1,670. Up to 30 per cent of both banks' total lending is to Latin America.

PARIS closed just 19 points above its low for the session with the CAC 40 index off 172.7 at 3,589.35 in heavy turnover of FFr12.9bn.

Schneider and STMicroelectronics both fell more than 10 per cent. Schneider shed FFr34.90 at FFr305.10 while the Franco-Italian chips group, hit by the latest round of negative demand news from the industry, came off FFr36 at FFr319.

Usinor lost FFr4.20 at FFr57.85 as worries about Asian imports hit sentiment. Foods group Danone was the one blue chip to stand out against the downtrend, adding FFr12 to FFr1,572.

FRANKFURT dropped more than 5 per cent to its lowest levels of the day, hit by Wall Street's early tumble and a weak dollar's fall to a 10-month low against the D-Mark. By the close, the Xetra Dax index was 214.39 lower at 4,744.05.

Export-related stocks were hit by currency considerations. BMW lost DM25 to DM1,245 and its preferred stock DM80 to DM745.

VW lost DM6.80 to DM124.65 in spite of news that group deliveries in the first eight months rose 5.7 per cent. Daimler-Benz fell DM6.60 to DM154.90.

Software group SAP was another sharp loser, with its preference shares giving up DM58.70 to DM986.25.

The chemicals sector was under pressure with Hoechst in the spotlight after its chief executive cautioned that 1998 earnings per share could be lower than in 1997. He also said pressure on margins was continuing and the company expected to sell its Vianova resins group. Hoechst fell DM4.45 to DM68.45, Henkel lost DM11.90 to DM145.05 and Schering gave up DM1.50 to DM178.35.

AMSTERDAM fell 55.28 to 1,021.31 on the AEX index after another torrid session for financials.

ABN Amro gave up Fl 2.70 to Fl 38.80 and ING lost Fl 9.50 or 8.5 per cent at Fl 102.90 with volume in both stocks topping 11m shares.

ASM Lithography crashed lower on demand worries following negative July figures for global chip sales. The shares hit a low of Fl 32.30 before closing off Fl 2.90 at Fl 35.30. Business software leader Baan retreated Fl 4.80 to Fl 56.10.

The overnight profits warning from US detergents giant Procter & Gamble sent Unilever lower, depressing the shares Fl 8.90 to Fl 129.70. Heineken shed Fl 2.80 to Fl 80.50 ahead of today's interim results.

HELSINKI took a sharp tumble with the Hex general index losing 245.99 to 4,302.90. The forestry sector, down 6.8 per cent, was hard hit by a weak dollar, while insurers tumbled 7.9 per cent, exaggerating the market's move. Nokia finished FM32 down at FM893.

Written and edited by Michael Morgan, Jeffrey Brown, Peter Hall and Paul Gregan

Golds defy downward trend

SOUTH AFRICA

Golds in Johannesburg rallied strongly but the broad market fell foul of the global downtrend and the all share index closed off 121.4 at 4,853.9.

Industrials tumbled 256.3 or 4.5 per cent to 5,502.5 and financials moved steeply lower, losing 188.2 at 6,728.7. Overall volume, though, was modest. SA Breweries fell R7 to R84.

Golds spurted 6.4 per cent, adding 61.1 at 1,013.2 as the bullion price pushed higher.

Tokyo slips despite yen rally

ASIA PACIFIC

Despite a better day for the yen, which rallied against the dollar, **TOKYO** fell for the second day running as the Bank of Japan's cut in interest rates failed to inspire confidence, *writes Alexandra Harney*.

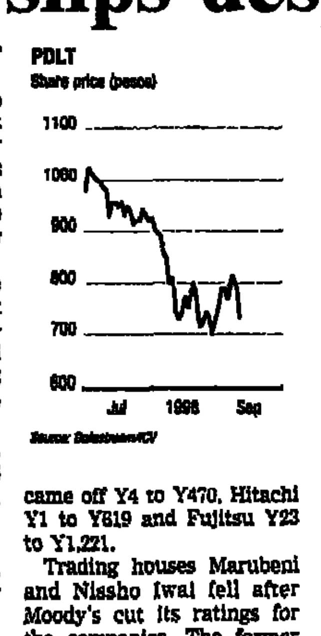
The Nikkei 225 Average lost 89.51 or 0.6 per cent at 14,666.03 in moderate trading. The index moved between 14,530.82 and 14,902 and turnover fell back to about 370m shares.

The Topix index of all first-section shares lost 0.6 per cent or 6.1 at 1,109.91. In Osaka, the OSE finished down 89 at 15,254.

Banks suffered losses and there was heavy selling near the close of trading. The financial sector fell steeply, losing 3.8 per cent. Long Term Credit Bank of Japan slipped Y2 to Y52 and Sumitomo lost Y23 to Y1,110. Bank of Tokyo-Mitsubishi lost Y7 to Y1,067.

Fuji Bank, which has denied reports of losses from derivatives trading, gained Y4 to Y333 as the day's most heavily traded issue. Sakura Bank gained Y6 to Y254.

Electronics companies were also down. Toshiba came off Y4 to Y470, Hitachi Y1 to Y619 and Fujitsu Y23 to Y1,221.



Trading houses Marubeni and Nissho Iwai fell after Moody's cut its ratings for the companies. The former lost Y1 to Y234 and Nissho Iwai Y5 to Y190.

KUALA LUMPUR had another volatile run, falling 9.45 or 2.4 per cent to 380.20 on the composite index after movements of plus 22, minus 21 and plus 11.5 per cent over the past three sessions.

Volume turned lower with 201m shares traded, against 383m on Wednesday, as traders struggled to make sense of the capital controls imposed at the start of the month.

Time Engineering and Technology Resources were the most active shares on news that the two were in merger talks. Time lost 1 cent to 91 cents and Technology Resources added 7 cents to M$1.29.

MANILA ran up against foreign selling of blue chips and the composite index ended off 57.28 or 5 per cent at 1,100.17. The foreign selling was sparked by a soft day for the peso. PLDT fell 60 pesos or 7.6 per cent to 735 pesos and Ayala Land 25 centavos or 4.9 per cent to 4.95 pesos.

SEOUL was sharply higher, spurred on by heavy late buying in futures-linked trade and the composite index rose 9.73 or 3 per cent at 335.95.

Korea Long Term Credit Bank rose Won250 to its daily limit high of Won2,365 ahead of a statement today confirming a merger with Kookmin Bank. Kookmin rose Won220 to Won4,150 in heavy trade of 7.2m shares.

Energy developer Dong Won went limit-up for the second day after its president said on Wednesday the company had discovered major natural gas reserves in Bolivia. Dong Won rose Won6,300 to Won58,900.

SINGAPORE was broadly lower, with Malaysian shares traded over the counter bearing the brunt of the falls as investors took profits after Wednesday's sharp gains.

The UOB-OTC index, tracking mostly Malaysian shares, dived almost 7 per cent to an intra-day low of 218.99 before inching back up to end 14.36 weaker at 215.61. The broader Straits Times index lost 20.46 or 2.3 per cent to 885.00.

HONG KONG mostly traded sideways with most interest centred on China stocks. The Hang Seng index ended down 55.49 or 0.7 per cent at 7,849.96. Boosted by hopes for lower Chinese interest rates and short-covering, China stocks pushed higher. The red-chip index gained 4.1 per cent and H shares 2.5 per cent.

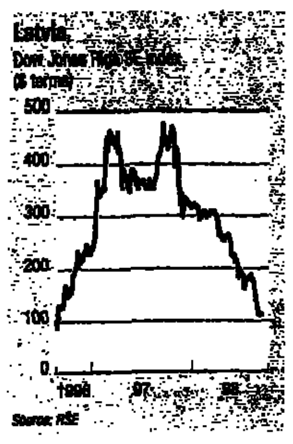
WELLINGTON fell 32.39 or 1.8 per cent to 1,760.76 on the 40 capital index, dented by Standard & Poor's revision of New Zealand's foreign currency rating to negative. NZ Telecom shed 23 cents to NZ$7.45 and Lion Nathan 10 cents to NZ$4.35.

EMERGING MARKET FOCUS

Riga follows in Unibanka wake

The financial and political crisis in Russia has capped a dismal year for the Riga stock exchange in Latvia.

Over the past 12 months, the Dow Jones Riga stock exchange index, weighted by market capitalisation, has lost more than two-thirds of its value. The summer has provided no respite, with the index shedding about 45 per cent of its value in August.



The extent of Latvian banks' heavy exposure to the Russian market became clear three weeks ago. The news stoked fears about the solidity of some financial institutions and exporting companies as several banks cut profit forecasts.

Figures from Latvia's central bank suggest the banking sector had 8 per cent of its total assets, or 170m lats ($285.8m), invested in the Russian market. Of that sum, short-term Russian GKO treasury bills accounted for about 72m lats.

Blue-chip Unibanka, Latvia's second biggest bank, took a beating after it disclosed that 3.2 per cent of its assets, or 9.9m lats, was held in Russian GKO T-bills.

Unibanka's highly liquid stock fell by more than 20 per cent in the last week of August after the bank cut its profit forecast for the year to 4.7m lats from 8.5m. The shares have recovered, providing a measure of support to the very illiquid market.

"The [Riga] Dow Jones index goes where Unibanka goes," said Girts Ozols of Hansabank Markets in Riga. Unibanka stock has on occasion accounted for more than 90 per cent of market turnover.

The stock of Komercbanka, the country's fourth biggest bank whose Russian exposure amounted to about 14 per cent of assets, has not recovered from a 60 per cent plunge at the end of August.

Komercbanka suffered a three-day run on deposits as customers feared the bank would collapse because of its Russian exposure. It eventually suspended early payments of time deposits, with the approval of Latvia's central bank, which said Komercbanka was not in danger of collapsing.

Though analysts are doubtful, the bank is sticking to its pre-crisis profit forecast of 4.2m lats.

There is not much activity in Komercbanka shares, and there are few hopes for immediate recovery, said Renars Karass of Tallinvest Suprema Securities. "It will recover but it may take a year," he added.

For all the travails of the largest banks, it was Latvia's ninth biggest, Kapital bank, which earned the dubious distinction of being the first outside Russia to go bust as a consequence of its exposure to the Russian bond market. According to the central bank, Kapital bank had up to half its assets of 68m lats invested in Russia.

Latvia's larger public-quoted industrial companies are also bracing themselves for lean times.

About 20 per cent of Latvia's exports go to Russia, and several companies have already said they would halt exports until they could make sure their goods would be paid for.

Matej Vipotnik

مكرر من الاصل

RICHARD DONKIN

The ultimate job test

Employee drug testing, commonplace in the US, will become the norm in Europe

The job is almost yours. You are eminently qualified and you breezed through the interview. The pay, conditions, holidays and prospects for advancement look ideal. But there is the minor matter of the drug test. How would you feel about giving a urine or hair sample to your prospective employer?

A book published this week argues that drug testing in the workplace is inevitable and necessary.* It criticises the UK government for failing to tackle the issue in its recent white paper on drugs and forecasts that the testing of employees, which has become commonplace in the US, will soon become a dominant issue in the UK.

Patrick Dixon, the book's author, says governments are "scared" of using drug prevention programmes, including workplace testing, even though as many as 70 per cent of all drug users are in work. He argues that "employers should be able to choose to take action where staff are found to test positive for drug use, if they work in situations where the health or safety of others could be compromised". He believes that drug testing could be combined with a drive against alcohol intoxication.

However reluctant European governments may be to confront such issues, the US experience would suggest that it is time the implications of workplace drug testing are researched and debated before inappropriate legislation is enacted that does not fully consider civil liberties and the fairness and use of the tests.

Employee drug testing in the US has grown into a $340m a year industry. By January 1996, says the book, some 81 per cent of large US companies were testing for drugs, covering 40 per cent of the workforce. Some 95 per cent of employers with workforces of more than 2,500 people had drugs policies and 91 per cent had drug testing programmes. Federal policy is to spread the use of testing into small businesses, which would bring some 87 per cent of the workforce into the net.

Drink and drug problems are rife in some US industries. The US construction industry has reported substance abuse by up to one in four workers. One survey of 250 large and small companies found that one-third viewed drugs and alcohol as problems; and half of the companies said they would sack an employee on the spot if they were found to be under the influence of drugs or alcohol at work.

Testing, says Dr Dixon, has made significant inroads into preventing drug abuse, although one example given in the book perhaps says more about the creation of social problems by irresponsible employment policies than it does about abuses by employees. He quotes a plastics company in the mid-west where some staff took stimulants to keep awake when management increased the normal eight-hour shift to 12 hours in an attempt to raise production.

When the safety manager began to find powder residues and razor-cut marks on equipment he realised that amphetamine addiction had become widespread. The company estimated that between 15 and 20 per cent of the workforce were taking drugs, often on the job, and began testing in line with a drugs education and prevention programme. Drug taking had fallen to "negligible levels" within a year, writes Dr Dixon.

He cites another example of a Wisconsin cardboard factory whose insurers became concerned about an unexpectedly high level of accident claims. The introduction of random drugs testing and education programmes reduced accident claims by 72 per cent the following year and led to an 80 per cent decrease in days lost because of injuries.

According to figures quoted by Manpower, the employment agency, SmithKline Beecham, which carried out some 5m drug tests among its US workforce last year, reported that 5 per cent tested positive for illegal substances, down from 5.8 per cent in 1996. Drug use has declined each year, says the company, since 1994 when 7.5 per cent of its US workers tested positive. Cocaine use, which had accounted for almost a quarter of all positive tests in 1996 had dropped to 16 per cent of positive tests in 1997, although marijuana use had increased.

The company has recently become worried about workers trying to cheat tests by adding nitrates to their urine samples. Employee testing is spawning a flood of new products, some of which are designed for drug detecting and others which claim to produce negative test results. Advice is also appearing on the internet, including a "guide to passing a piss test". Company urine testers are referred to colloquially by civil liberties organisations as "bladder cops".

Dr Dixon quotes studies in the US that claim that substance abusers, including those with an alcohol problem, are a third less productive than other workers and are three times more likely to be late.

But US civil liberties groups make a distinction between those who use cannabis and those who drink, claiming that cannabis users have better absenteeism records than alcohol users.

The American Civil Liberties Union has accused US companies of wasting millions of dollars a year on urine testing. But few might oppose the safety argument for drug testing in transport. The US Department of Transport, for example, has the largest drug testing programme in the world, covering 8m workers. Those who test positive are referred for professional help.

While the case for the use of testing in transport may be compelling, it may be far less so for its routine adoption across all sectors. Recent controversies over the use of drugs in sport have demonstrated that the issues are unclear. European governments will find it increasingly difficult to avoid the issue for much longer as US companies with a European presence seek to impose their drug testing policies more widely. Companies will need guidance.

Drug testing should only be introduced after a company has a written substance abuse policy, supervisory training, and employee education and assistance programmes.

The need to do something may well be driven by commercial pressures ahead of any government initiative. Some companies in the US have found themselves under pressure from insurers to introduce testing among employees. Dr Dixon expects such pressures to emerge in Europe. "Companies that don't test will go bust. Their insurance premiums will go through the roof," he says.

"Workplace drug testing is urgently needed and will be forced on employers for economic and safety reasons."

**The Truth About Drugs by Patrick Dixon, Hodder & Stoughton, £7.99. It is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

richard.donkin@FT.com

WORKING BRIEFS

IoD to provide training and workshops for board directors

The UK's Institute of Directors has launched a new service to provide training, workshops and advice on the role of directors. The service can provide preparatory training for senior executives who are about to join a main or subsidiary board and specific training for existing directors. One area, for example, might be preparing for restructuring or a merger.

The service also offers induction courses for new directors and board appraisal, which can be particularly useful for a family business bringing in new shareholders or for those undertaking a management buy-out or buy-in. "The consultancy is a response to a growing number of requests for training and consultancy for boards and senior managers within their own company," says David McWilliam, the head of the new service. *+44 171 766 8834/8837*

Works councils

Companies seeking advice on how to organise European works councils may benefit from lessons learned by those who have already established them, which are included in a new report from the UK's Involvement and Participation Association.

The study is based on interviews with management and employees in 26 companies who have already set up works councils. Most set them up during the UK opt-out from the European Union directive.

Rachel Sloan, the report's author, says that the best works councils have developed a clear policy on issues such as disclosure, appropriate levels of consultation and whether the council has any legitimacy in corporate decision-making. *European Works Councils: Moving Forward with Employee Consultation, £10, +44 171 354 8040*

Ageism advice

Ageism among recruiters is damaging the job prospects of older graduates, according the Employers Forum on Age and the Association of Graduate Careers Advisory Services. They have issued an advice sheet for mature graduates seeking work. Some graduates as young as 29, they say, have had problems getting a place on graduate entry schemes.
Details: +44 1227 782285

BANKING FINANCE & GENERAL APPOINTMENTS

Head of Trading

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EUROPEAN CENTRAL BANK

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- Ability to take responsibility for tasks related to development and maintenance.
- Very good command of English and proven drafting ability in English. Working knowledge of other European Union languages is desirable.

Ref: ECB/GS/12/98FT

Applications

Applications should include a Curriculum Vitae and a recent photograph, together with references confirming the required experience and skills. They should quote the reference number and should be addressed to the **European Central Bank, Directorate Personnel, Postfach 16 03 19, D-60066 Frankfurt am Main,** and should reach us no later than 30th September 1998. Applications will be treated in the strictest confidence and will not be returned.

This vacancy is also published on Internet: http://www.ecb.int but applications should only be submitted on paper via surface mail.

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Due to internal reorganisation, we are looking to recruit a fund manager with strong knowledge of the Japanese equity market to join our small Japanese investment team, which is based in London and has a strong track record.

Your role

The role predominantly involves identifying investment opportunities and managing client portfolios. You will undertake a significant amount of research and analysis, and you will be expected to produce sound analytical justifications for your recommendations. You will also have responsibility for structuring and maintaining client portfolios. Frequent overseas travel is part of the role.

Your qualifications

With 5 years' experience of detailed research of Japanese companies, you must be able to demonstrate a track record of successful investments and sound knowledge of the Japanese equity market. To complement your strong analytical ability, you will be an effective team player with excellent communication skills, as well as the ability and keenness to take personal responsibility for managing client portfolios.

Essential requirements are a strong academic background and IMRO registration. Good Japanese language skills are desirable. Ideally, you will hold the IIMR (or equivalent) qualification, although we will support the right candidate through a structured study programme for this.

What we can offer

As well as a well-established and successful business profile, you will enjoy a professional, team-oriented and supportive working environment, and a highly competitive remuneration package including discretionary performance award, housing allowance, non-contributory pension scheme and private healthcare.

To apply, please send your CV and covering letter to: Mrs Lefki Frangou, Personnel Officer, Phillips & Drew Limited, Triton Court, 14 Finsbury Square, London EC2A 1PD.

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SENIOR RESEARCH COORDINATOR

Eurosecurities Research Partners

Location: Any European country | **Substantial salary package**

Eurosecurities Research Partners is an association of 8 important independent financial institutions, each one of them holding a leading position in their domestic market. This group of financial intermediaries already comprises in excess of 60 analysts and economists and is likely to grow with the addition of further European partners.

Reporting to the Management Committee of Eurosecurities Research Partners, your main responsibilities will include the formulation of recommendations on matters relating to:

- allocation among the members of sectorial research responsibilities;
- introduction of a homogeneous approach and common culture between members to analytical methodology, format, presentation and "house style";
- introduction of effective analyst-to-analyst, analyst-to-company and analyst-to-client communication through regular meetings, presentations, road shows, etc;
- coordination of market driven pan-european research priorities and projects;
- adoption of appropriate and compatible computer software to ensure mutual access to each member's data base and, possibly, to the markets of each other;
- identification of synergies and opportunities between member firms;
- subject to approval of the Management Committee the implementation of any policies resulting from recommendations adopted.

The ideal candidate will have a University Degree in Economics or the equivalent, with a minimum of 10 years' experience of financial analysis and/or management, some of which in a sectorial-based research environ- ment. Fluency in English and at least one other European language are essential. Excellent people-management skills, an authority driven by competence and a strong sense of diplomacy are required.

In return, our client offers a challenging job opportunity with an attractive salary package in a dynamic and multicultural environment.

For further information, please contact **Christophe Vandoorne** on + 32 2 511 66 88 (fax + 32 2 511 99 69) or send him your detailed curriculum vitae at the following address: Robert Walters Associates, Avenue Louise 66 box 5, B-1050 Brussels. **E-mail: bxl@robertwalters.com - web: http://www.robertwalters.com**

VG.WS 298

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You will deliver creative corporate strategies maximising shareholder value for a diverse range of clients from the largest players in the industry to entrepreneurial new ventures.Clients will expect you to identify opportunities from mergers, acquisitions and licence evaluation processes. You are likely to be working in either the business development or strategy department of an established or start-up operator, investment bank or consultancy. You must have an impressive track record in strategic problem solving in telecoms finance.

As well as looking for an outstanding individual to fill this role, we want to hear from people with excellent academic qualifications, and consultancy skills. If you have experience in telecoms and particularly the rapidly developing Internet, mobile, and satellite fields, we would be pleased to hear from you. Opportunities exist in a number of our offices. We reward exceptional people with competitive benefits packages and first class career development.

Phone Sue Gibson or Lorraine Buckman to discuss these opportunities on +44 (0)1223 460600. Alternatively write, fax or email your cv and salary expectations to: Analysys Limited, St Giles Court, 24 Castle Street, Cambridge CB30AJ Fax+44(0)1223 460866. Email recruitment@analysys.com

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If you believe you have the necessary skills and attributes send your curriculum vitae and details of your current remuneration to:

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DW

OIL ANALYST

David Williamson Associates Limited is a successful, expanding, SFA-registered boutique consultancy specialising in research and fund-raising for companies in the natural resource sectors. It is seeking to strengthen its oil coverage by recruiting a junior analyst/salesman to complement the existing team.

The ability to write and speak lucidly, an open mind and good institutional and industry contacts are more important than specific qualifications, although a year's coverage of the sector for a City establishment is highly desirable.

SALARY BY NEGOTIATION

To apply, please write with your CV to
David Williamson Associates Limited,
15 St. Helen's Place, London EC3A 6DE

For our **Swiss Research & Advisory Service** we are seeking a

Senior Swiss Insurance Analyst

Job description:

- Be key person responsible for the analysis of Swiss insurance companies against the background of the European insurance industry. Close cooperation with the global research team.
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- Build strong relationships with major institutional investors and senior managements of Swiss insurance companies.
- Join leading team of nine Swiss analysts and fifteen investment advisors with top institutional clients.

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- Sound experience and a good understanding of the insurance industry, gained as an analyst, management consultant or insurance executive.
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- Outstanding communication skills. Team spirit and the maturity to work with senior insurance managements and influence leading international investors.

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Candidates who are holders of a valid work permit are invited to submit their handwritten application, together with a résumé, photograph and copies of degrees and/or diplomas, to Ms. U. Fitz, Personnel Department. All applications will be treated in the strictest confidence.

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A major conglomerate in the Middle East has 2 openings in its Treasury Department.

TREASURY ANALYST

Responsible for coordinating the treasury functions of loan administration, financing compliance, interest rate risks, and the enhancement of departmental systems and procedures.

The successful candidate will have a university degree, professional accounting certification, up to five years in treasury work with a major international company, and experience in multicurrency transactions. Fluency in spoken and written English is required, fluency in Arabic is a real plus

ASST. TREASURER

Responsible for managing those treasury department activities connected with cash reserves, bank balances, financing administration and compliance, the provisioning of letters of credit, systems development and implementation, and treasury accounting.

The successful candidate will have a university degree, professional accounting certification, and five to ten years of experience in the treasury department of a major international company. Spoken and written fluency in English is required, fluency in Arabic is a real plus.

An attractive and competitive expatriate compensation and relocation package awaits the successful candidates.

To be considered for these positions send your resume to

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EXECUTIVE SEARCH

We seek an experienced Structured Financier to join our rapidly expanding team of executive search professionals.

Our aim is to enhance the existing coverage of our Asian clientele looking to take advantage of recent market conditions.

The ideal candidate will possess a minimum of 8 years' experience in the markets, have gained exposure to South East Asia and be able to demonstrate connections at the highest level.

Comprehensive understanding of structuring techniques/cashflow analysis plus detailed knowledge of the natural resources sector is essential.

MBA or equivalent qualification is a prerequisite.

In the first instance, please send your CV to Paul Ansdell, Recruitment Manager.

Emerging Markets Search & Selection Limited
12 Masons Avenue, London EC2V 5BB
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Trader
in Dutch Equity Options

London or Paris based

Well established in all main international capital markets, SG is one of the world's leading specialists in equity derivative products.
In the context of developing its activity on the Dutch capital market, SG is looking for an equity options trader.
You have a previous experience on the Dutch equity market (either on index or on single stock), and you are free to move to London or Paris to take up this position with the Equity Derivatives Division. Of Dutch origin, you have a correct command of English and a good knowledge of the AEX. Some French would be an asset.

Please send your application (letter of interest and CV) with the reference OM/TD, to Société Générale, Recruitment Department, Espace 21, 92972 Paris-La Défense Cedex France.

http://www.socgen.com

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FINANCIAL TIMES
No FT, no comment.

QUANTITATIVE ANALYST

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£Highly Competitive Package

London Based

Our client, a major US investment bank, is currently experiencing significant growth in the use of derivatives within its asset management division and is seeking experienced professionals to join its derivatives team.

The Role

- Contribute to the quantitative effort, particularly in the area of statistical modelling, required to utilise derivatives throughout the investment process and to develop derivative based funds.
- Support use of derivative instruments by portfolio managers in developing strategies, structuring trades, and managing positions.

The Candidate

- High level degree in a quantitative area such as econometrics, physics, statistics, mathematics, engineering (MA/MPhil, PhD preferred).
- Minimum 2 years experience in statistical modelling.
- Familiarity/knowledge of derivatives and underlying assets, investment theory, and risk management.
- Strong programming skills/experience using C, C++, Visual Basic, S-Plus, Mathlab.

For an initial discussion please contact
Costa Karvelas,
Senior Consultant at
Devonshire Executive
13 Austin Friars
London EC2 2JX
Telephone: 0171 670 1700
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Financial Times

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MOTOROLA Tel·co

RSL COM

Financial Controller

Hampshire **c £60,000 + FX Car + Bonus**

RSL COM Telco UK Ltd provides telecommunications services across the UK to businesses and residential customers. The business operates through a distribution base of dealers, corporate accounts and directs sales and has built a customer base well in excess of 200,000 providing revenues over £100 million.

The recent acquisition of Motorola Telco has resulted in the need for a Financial Controller who will report directly to the General Manager and will have staff responsibility for a team of 60. This high profile position will be responsible for ensuring that comprehensive financial and commercial supportis given to the General Manager and his management team.

The successful candidate will be a graduate calibre qualified accountant, probably with a minimum of eight years' post qualification experience. Excellent communication and interpersonal skills are a pre-requisite, as is previous experience of managing and motivating large groups of people.

It will be essential that candidates are proactive, creative and comfortable dealing with complex business issues in a rapidly changing environment. A high level of systems/IT literacy is required and candidates with a broad understanding of fixed and mobile telecommunications would be of particular interest.

Interested candidates should forward a comprehensive curriculum vitae, including details of current salary and daytime telephone numbers to Wayne Mason ACCA, Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW, Fax: 0118 956 1657, quoting reference 444600, or e-mail: waynemason@michaelpage.com www.michaelpage.com

Michael Page
FINANCE

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Financial Controller

Berkshire **c £45,000 + Car + Bonus + Bens**

Our client is a private group with interests in publishing, property, marina management and development. Turnover of the group is approximately £60 million and it employs 1400 people throughout its operations in the UK and Canada. With major financial backing, plans for expansion in the UK and abroad are currently under consideration.

An opportunity has arisen for a Group Financial Controller based at the Head Office in West Berkshire. Reporting directly to the Group Finance Director and supported by a small team, this challenging position will be critical in maintaining financial control of the Group.

Key responsibilities will include:

- Preparation of monthly Group management reports, budgets, business plans and cashflows for the Group Board.
- Preparation of the annual statutory accounts including their consolidation and liaison with the external auditors.
- The development and enhancement of computerised financial systems.
- Analysis/review of major capital projects, acquisitions and divestments.

The successful candidate will be a graduate calibre qualified accountant, probably with a minimum of four years post qualification experience. Candidates who have had experience of the media or leisure industries would be of particular interest. In addition, a high degree of computer literacy will be required.

It will be essential that candidates have well developed interpersonal skills, along with the ability to communicate with and influence others at all levels in the business. A flexible, enthusiastic and proactive nature will be necessary to add value to this ambitious business.

Interested candidates should forward a comprehensive curriculum vitae, including details of current salary and daytime telephone number to Wayne Mason ACCA, Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW, fax 0118 956 1657, quoting reference 447188, e-mail: waynemason@michaelpage.com or www.michaelpage.com

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FINANCE

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Anglian Water

Group Tax Manager

Anglian Water is geographically the largest of the 10 regional water service companies in the UK, with a turnover of £837 million and pre-tax profit of £257 million. Operating in the UK and with a growing international portfolio of utility and engineering business, Anglian Water has focused on the international market as their target for growth.

Huntingdon **c £55,000 + Bonus + Bens + Relocation**

An opportunity has now arisen for a Group Tax Manager.

Reporting to the Director of Finance and Planning, the successful candidate will be involved in:

- Developing strategies to minimise group tax exposure.
- Managing Group Tax compliance in the UK and Worldwide.
- Promoting tax awareness throughout the business and in all financial decision making.
- Providing management and leadership to a team of four ensuring their continuing development.

The ideal candidate will either be a qualified accountant or tax specialist with a minimum of three years PQE gained in the profession or industry and preferably with some international tax experience.

You should be able to communicate effectively across all levels of the organisation, be a flexible team player and have a customer focused approach.

Anglian Water in return can offer an excellent opportunity to consolidate and develop technical and man-management skills, as well as the opportunity to progress in a diverse business environment.

Interested candidates should send their CV to either Donald McFarlane CA or Fiona Reynolds at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN or telephone on 0171 269 2322. Please quote reference 432855. Alternatively, e-mail: fionareynolds@michaelpage.com

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TAXATION

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BLACK & DECKER

European Tax Manager

Dublin **to £60,000 + Benefits**

Black & Decker is a global marketer of power tools and other quality products for the home and commercial applications. The Corporation markets its products in over 100 countries and has European operating subsidiaries in virtually all Western European countries. This position reports to the European Tax Director based in Dublin.

The European Tax Manager will make a significant contribution to corporate strategy, and ensure that tax planning is given proper and due emphasis within the overall context of business objectives. Emphasis will be placed upon international tax planning and there will be a strong interface with the Treasury function.

Due to the high profile nature of the Tax and Treasury functions, Black & Decker wish to appoint a commercial individual, who has a flexible approach and is a lateral thinker.

You must have drive, plenty of initiative, and the potential to be promotable within three years. You will have a good academic record and relevant career experience i.e. qualified accountant with at least three years international experience, within a large professional tax practice or in a multi-national company.

This is a unique opportunity to play a leading role within the tax and treasury operation of a truly worldwide organisation.

Interested applicants should send a full CV to Charles Ferguson at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN or telephone him in strictest confidence on +44 (0) 171 269 2244, fax: +44 (0)171 831 6662. e-mail: charlesferguson@michaelpage.com www.michaelpage.com

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HEALTHWORLD
CORPORATION

European Financial Controller

Windsor **£55,000 + Car + Benefits**

Our client, a subsidiary of a US corporation, is a market leader in the provision of Marketing Services to the European healthcare sector. As an established and expanding business that already possesses a significant presence in the marketplace, the company operates from a position of considerable strength.

Due to a dynamic European growth strategy, an opportunity has arisen for an experienced finance professional. Responsibilities include:

- Overall financial control for a fast growing European operation.
- Involvement in developing pan-European strategic/operating plans.
- Improving and managing all MIS activities.
- Overseeing and developing a European-wide finance team.
- Ad-hoc commercial projects including acquisitions.

The successful candidate will be a qualified accountant with a minimum of five years post qualification experience, a strong academic background and an outstanding record of achievement to date. You must possess strong technical and management skills and ideally have experience working in an international environment with a US parent company.

It would be an advantage (though not a prerequisite) for candidates to have a second European language.

As a senior finance professional, we would expect you to possess superior interpersonal and leadership qualities. The successful candidate will demonstrate an ability to challenge current practices at all levels within the organisation. They will be able to demonstrate a high level of commitment, drive and vision in a fast paced, dynamic environment. Flexibility and team player skills are essential.

Interested candidates should write, enclosing a full CV, current salary details and daytime telephone number to Christopher Pereira ACMA at Michael Page Finance, 40-42 High Street, Maidenhead, Berkshire SL6 1QE. Tel 01628 771604, or fax 01628 785495. www.michaelpage.com e-mail: christopherpereira@michael page.com

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New Venture International Chemicals Group

UK Senior Financial Accountant

Thames Valley **Excellent Salary + Benefits**

Our client is a multinational joint venture, planning to combine highly successful businesses currently operating as part of two of the most prestigious names in the petrochemical industry. Employing 2,000 people worldwide and with an initial annual turnover in excess of $1.5billion, it has ambitious plans to be at the cutting edge of technological development, manufacturing and customer service. Operating in a truly global market, it will place great emphasis on the development and empowerment of employees, in an open, team-based environment in which personal responsibility will be encouraged and rewarded.

Reporting to the UK Finance Manager and heading a small team, responsibilities include:

- Assisting in establishing and developing an effective accounting, management information and financial controls framework for the joint venture.
- Production of monthly joint venture accounting and reporting information.
- Preparation and review of statutory reports as required.

The successful candidate will be a graduate calibre qualified accountant, with a good track record in a large company environment. Significant exposure to the development of financial controls/systems and VAT reporting is a prerequisite.

Additionally, you will be a proactive, hands-on team player with excellent communication skills and the tenacity to succeed in a demanding environment.

Interested candidates should write, enclosing full curriculum vitae, current salary details and daytime telephone number to Angela Webb at Michael Page Finance, 40-42 High Street, Maidenhead, Berkshire SL6 1QE. Telephone 01628 771604, or fax 01628 785495. e-mail: angelawebb@michael page.com www.michaelpage.com

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GlaxoWellcome

Group Reporting Accountant

up to £45,000 + BENEFITS

WEST LONDON

Glaxo Wellcome is a leading research-based pharmaceutical company at the forefront of innovation within the industry. With its shares listed on the stock exchanges in London and New York, it has sales of £8 billion in over 150 markets and 54,000 employees worldwide.

Following an internal promotion, Glaxo Wellcome wishes to appoint a new Financial Reporting Accountant at their global headquarters in Greenford. The Financial Reporting team is responsible for the production of quarterly consolidated Group accounts and the preparation of the Group's externally published financial reports in accordance with legal and listing requirements.

Working within this high profile team your responsibilities will encompass:

- Generation, analysis and interpretation of consolidated financial data and reports.
- Development of financial reports so as to achieve a fair and balanced portrayal of Glaxo Wellcome's business performance.
- Liaison with Group companies and head office departments on accounting issues.
- Continuous improvement in the consolidation process.
- Review and implementation of new accounting requirements as they affect Glaxo Wellcome.

Prospective candidates will be qualified accountants, either from industry with relevant experience or making a move from practice.

You will need strong accounting skills and up-to-date technical knowledge, a commitment to quality and good interpersonal and organisational skills.

Interested applicants should forward an up-to-date curriculum vitae including current remuneration and daytime contact number to Keith Mackenzie at Michael Page Finance, Europa House, Church Street, Old Isleworth, Middlesex TW7 6DA, or fax on 0181 847 5703 or e-mail: keithmackenzie@michaelpage.com Please quote reference 450155.

Business Analyst

Acquisitions, Mergers & Bidding

"The telecommunications market is one of the most rapidly changing in the world today. Telecommunications networks are society's nervous system, critical to industrial competitiveness and social cohesion".

Middlesex

c £44,000 + Car + Benefits

With the liberalisation of the global telecoms market, this company with a worldwide presence, annual sales in excess of £10 billion and listed on all three major stock exchanges, is undergoing a rapid global transformation.

To facilitate this change, there is now a need for a Business Analyst to support the development of commercial opportunities, including new mobile telecom licences and acquisitions, through providing financial and business evaluations.

Your responsibilities will include:

- Financial and commercial evaluations of new business opportunities, particularly acquisitions.
- Investment appraisal and company valuation through developing financial models for investments.
- Analysis of financing packages in conjunction with corporate finance.
- Development and monitoring of strategic business plans including KPI measurement.

The successful candidate will be an ambitious qualified accountant with first class technical ability, ideally from a corporate finance background and with the experience of commercial evaluations, modelling skills and development of corporate strategy. You will need to display a hands-on approach and excellent communication and self management skills, you will be able to work in a multi disciplinary team environment. This role will involve international travel.

Interested applicants should forward an up-to-date curriculum vitae including current remuneration and daytime contact number toKeith MacKenzie at Michael Page Finance, Europe House, Church Street, Old Isleworth, Middlesex TW7 6DA, or fax on 0181 847 5703 or e-mail: eithmackenzie@michaelpage.com quoting ref 413794, www.michaelpage.com

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FINANCE

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Internal Business Review

Market leading service organisation

West London, nr Heathrow

c £40,000 Package + Bens

Our client, a £300 million, UK based, major service organisation is a market leader in its field. Established for over 100 years, it has developed a renowned, well respected, household brand name which has been built by valuing the principles of integrity, excellent service and professionalism.

An opportunity exists for an in-house expert to assist the Director of Business Support and Audit in the management of the Internal Business Review function. The main focus of this position is to add value in terms of the evaluation and control of business risk and improvements to business processes and systems. The role will involve liaison to Director level within the business, as well as contact with various external agencies.

This is an excellent entry role into a well established company and there are likely to be several opportunities for the successful candidate to progress into a line role.

Applicants will be professionally qualified, graduate calibre accountants with excellent written and verbal communication skills. Other key attributes will be the ability to rapidly assimilate and analyse varying situations and to use modern management and analytical techniques.

Interested applicants should forward a comprehensive CV, including a daytime telephone number and details of present remuneration to Sarah Tyldesley at Europa House, Church Street, Old Isleworth, Middlesex TW7 6DA. Fax 0181 847 5703 or e-mail: sarahtyldesley@michaelpage.com Please quote reference 447222. www.michaelpage.com

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FINANCE

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mencap

making the most of life

Head of Finance

The Royal Society for Mentally Handicapped Children and Adults (Mencap) is one of the United Kingdom's leading charities, campaigning on behalf of people with a learning disability and their families. In addition to its core support and campaigning role, Mencap delivers residential care, education, housing and employment services throughout the country. Mencap has an annual income in excess of £90 million from fundraising, grants and services.

Central London

c £40,000

The Head of Finance role is a high profile appointment following the restructuring of the finance function and has an important part to play in the continued success of Mencap. Reporting to the Director of Finance and managing a team of ten, responsibilities of this key role include:

- Managing the central finance function on a day-to-day basis, taking an active role in the development of staff.
- Overseeing the production of high quality financial information including statutory reporting, monthly management accounts and annual budgets.
- Maintaining and developing the management information systems.
- Co-ordinating the treasury function to ensure the efficient use of the Society's funds.
- Ensuring that effective accounting and control systems are in place.

The successful candidate will be a qualified accountant with a proven track record at senior management level and excellent communication skills, as well as the ability to manage people in a rapidly changing environment. Commitment, ability and a hands-on approach are more important than experience of charity finance.

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. e-mail: matthewmorris@michaelpage.com Please quote reference 449951. Mencap is committed to equal opportunities. Registered Charity No 222377.

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FINANCE

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ATKEARNEY

UK Financial Controller

AT Kearney is a world leading multi-disciplined management consultancy with a presence in over 30 countries. Consistently strong growth has been achieved by developing long term relationships within an impressive client portfolio, whilst also aggressively exploring emerging markets.

W1

c £60,000 + Bonus + Car + Benefits

The role of UK Financial Controller plays a central part in the success of the UK office by being the key figure in all financial matters and will be expected to further develop the role in order to maximise profitability.

Reporting to the European Financial Controller in Düsseldorf and supporting the Managing Director in London, you will be the senior finance person in the UK.

Your varied brief will include:

- Leading a team of dedicated finance staff to comply with all statutory requirements for the UK and Asian operations liaising with auditors, fiscal and legal authorities.
- Cost, job and intercompany accounting.
- Liaising closely with unit heads and project controllers providing statistics and data to control work-in-progress on long term projects of up to £900 million.
- Provide in-depth commercial analytical support for future projects.
- Ongoing liaison with consultants, assessing project budgets and providing ad hoc information/support.

Suitable candidates will ideally be graduate qualified chartered accountants from a 'Big 5' background. You will have gained approximately five years commercial control experience, preferably leading a team in an international environment and be ready to take your career to the next stage as a platform for further development. Having the credibility to develop successful relationships and influence contacts across functions, both internally and externally, is paramount, as is an exceptional attention to detail and the ability to provide commercial support in an efficient, professional manner.

This is an outstanding opportunity for an ambitious business professional to join a highly respected global organisation.

Please send your CV to Neil Murphy at Michael Page Finance, 39-41 Parker Street, London WC2B 5LN, telephone 0171 269 2335 or, alternatively, fax 0171 242 1020. Ref 449977. www.michaelpage.com e-mail: neilmurphy@michaelpage.com

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Adrian Edgell, PricewaterhouseCoopers, Executive Search & Selection, Harman House, 1 George Street, Uxbridge UB8 1QQ

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UK Controller

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To be considered for this role, please send your curriculum vitae with current salary details and an explanation of how your experience meets the requirements to Gemma Jenkin, Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference GJ267. Tel 0171 931 2967. Fax 0171 931 1022 or e-mail: gjenkin@cc.ernsty.co.uk

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Please send your curriculum vitae together with an explanation of how you believe you meet the criteria for this position and details of current salary to Tim Hastings, quoting reference TH 269 at Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

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Please write enclosing full Curriculum Vitae quoting ref 229 to:

Nigel Hopkins FCA, London House. 53/54 Haymarket, London SW1Y 4RP

Tel: 0171 839 4572
Fax: 0171 925 2336

Any CV submitted directly will be forwarded to Nigel Hopkins & Associates.

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Financial Times

European Financial Controller

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- Providing assistance with start-up operations, including setting up new offices and recruiting, training and developing accounting staff.

Candidates will be ACA qualified with a minimum of two years experience gained within a fast moving commercial organisation with experience of formulating and implementing financial controls within an international environment. This is a challenging and demanding role which will require a grasp of day-to-day management as well as the ability to make a significant contribution to the performance and profitability of the business. Travel to regional offices is required and fluency in an additional language would be useful.

To apply, please send your CV with a covering letter including daytime telephone number and current salary details, to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. Tel: 0171 333 0033 Fax: 0171 333 0032. Please quote reference number FN0016. You may also apply via http://taps.com/Harvey_Nash

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IT Appointments

RICHARD DONKIN

The ultimate job test

Employee drug testing, commonplace in the US, will become the norm in Europe

The job is almost yours. You are eminently qualified and you breezed through the interview. The pay, conditions, holidays and prospects for advancement look ideal. But there is the minor matter of the drug test. How would you feel about giving a urine or hair sample to your prospective employer?

A book published this week argues that drug testing in the workplace is inevitable and necessary.* It criticises the UK government for failing to tackle the issue in its recent white paper on drugs and forecasts that the testing of employees, which has become commonplace in the US, will soon become a dominant issue in the UK.

Patrick Dixon, the book's author, says governments are "scared" of using drug prevention programmes, including workplace testing, even though as many as 70 per cent of all drug users are in work. He argues that "employers should be able to choose to take action where staff are found to test positive for drug use, if they work in situations where the health or safety of others could be compromised". He believes that drug testing could be combined with a drive against alcohol intoxication.

However reluctant European governments may be to confront such issues, the US experience would suggest that it is time the implications of workplace drug testing are researched and debated before inappropriate legislation is enacted that does not fully consider civil liberties and the fairness and use of the tests.

Employee drug testing in the US has grown into a $340m a year industry. By January 1996, says the book, some 81 per cent of large US companies were testing for drugs, covering 40 per cent of the workforce. Some 95 per cent of employers with workforces of more than 2,500 people had drugs policies and 91 per cent had drug testing programmes. Federal policy is to spread the use of testing into small businesses, which would bring some 87 per cent of the workforce into the net.

Drink and drug problems are rife in some US industries. The US construction industry has reported substance abuse by up to one in four workers. One survey of 250 large and small companies found that one-third viewed drugs and alcohol as problems; and half of the companies said they would sack an employee on the spot if they were found to be under the influence of drugs or alcohol at work.

Testing, says Dr Dixon, has made significant inroads into preventing drug abuse, although one example given in the book perhaps says more about the creation of social problems by irresponsible employment policies than it does about abuses by employees. He quotes a plastics company in the mid-west where some staff took stimulants to keep awake when management increased the normal eight-hour shift to 12 hours in an attempt to raise production.

When the safety manager began to find powder residues and razor-cut marks on equipment he realised that amphetamine addiction had become widespread. The company estimated that between 15 and 20 per cent of the workforce were taking drugs, often on the job, and began testing in line with a drugs education and prevention programme. Drug taking had fallen to "negligible levels" within a year, writes Dr Dixon.

He cites another example of a Wisconsin cardboard factory whose insurers became concerned about an unexpectedly high level of accident claims. The introduction of random drugs testing and education programmes reduced accident claims by 72 per cent the following year and led to an 80 per cent decrease in days lost because of injuries.

According to figures quoted by Manpower, the employment agency, SmithKline Beecham, which carried out some 5m drug tests among its US workforce last year, reported that 5 per cent tested positive for illegal substances, down from 5.8 per cent in 1996. Drug use has declined each year, says the company, since 1994 when 7.5 per cent of its US workers tested positive. Cocaine use, which had accounted for almost a quarter of all positive tests in 1996 had dropped to 16 per cent of positive tests in 1997, although marijuana use had increased.

The company has recently become worried about workers trying to cheat tests by adding nitrates to their urine samples. Employee testing is spawning a flood of new products, some of which are designed for drug detecting and others which claim to produce negative test results. Advice is also appearing on the internet, including a "guide to passing a piss test". Company urine testers are referred to colloquially by civil liberties organisations as "bladder cops".

Dr Dixon quotes studies in the US that claim that substance abusers, including those with an alcohol problem, are a third less productive than other workers and are three times more likely to be late.

But US civil liberties groups make a distinction between those who use cannabis and those who drink, claiming that cannabis users have better absenteeism records than alcohol users.

The American Civil Liberties Union has accused US companies of wasting millions of dollars a year on urine testing. But few might oppose the safety argument for drug testing in transport. The US Department of Transport, for example, has the largest drug testing programme in the world, covering 8m workers. Those who test positive are referred for professional help.

While the case for the use of testing in transport may be compelling, it may be far less so for its routine adoption across all sectors. Recent controversies over the use of drugs in sport have demonstrated that the issues are unclear. European governments will find it increasingly difficult to avoid the issue for much longer as US companies with a European presence seek to impose their drug testing policies more widely. Companies will need guidance.

Drug testing should only be introduced after a company has a written substance abuse policy, supervisory training, and employee education and assistance programmes.

The need to do something may well be driven by commercial pressures ahead of any government initiative. Some companies in the US have found themselves under pressure from insurers to introduce testing among employees. Dr Dixon expects such pressures to emerge in Europe. "Companies that don't test will go bust. Their insurance premiums will go through the roof," he says.

"Workplace drug testing is urgently needed and will be forced on employers for economic and safety reasons."

**The Truth About Drugs by Patrick Dixon. Hodder & Stoughton, £7.99. It is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

richard.donkin@FT.com

WORKING BRIEFS

IoD to provide training and workshops for board directors

The UK's Institute of Directors has launched a new service to provide training, workshops and advice on the role of directors. The service can provide preparatory training for senior executives who are about to join a main or subsidiary board and specific training for existing directors. One area, for example, might be preparing for restructuring or a merger.

The service also offers induction courses for new directors and board appraisal, which can be particularly useful for a family business bringing in new shareholders or for those undertaking a management buy-out or buy-in. "The consultancy is a response to a growing number of requests for training and consultancy for boards and senior managers within their own company," says David McWilliam, the head of the new service. *+44 171 766 8834/8837*

Works councils

Companies seeking advice on how to organise European works councils may benefit from lessons learned by those who have already established them, which are included in a new report from the UK's Involvement and Participation Association.

The study is based on interviews with management and employees in 26 companies who have already set up works councils. Most set them up during the UK opt-out from the European Union directive.

Rachel Sloan, the report's author, says that the best works councils have developed a clear policy on issues such as disclosure, appropriate levels of consultation and whether the council has any legitimacy in corporate decision-making. *European Works Councils: Moving Forward with Employee Consultation, £10, +44 171 354 8040*

Ageism advice

Ageism among recruiters is damaging the job prospects of older graduates, according the Employers Forum on Age and the Association of Graduate Careers Advisory Services. They have issued an advice sheet for mature graduates seeking work. Some graduates as young as 29, they say, have had problems getting a place on graduate entry schemes. *Details: +44 1227 782285*

BANKING FINANCE & GENERAL APPOINTMENTS

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Become a Key Figure at the Nerve Centre of the Pensions Review

The Financial Services Authority (FSA) is the new integrated regulatory authority for the UK Financial Services industry. Its staff carry out the regulatory functions of the Self Regulating Organisations (IMRO, SFA and PIA) under the 1986 Financial Services Act. Its scope will ultimately extend to banking, securities and investments, building societies, insurance, friendly societies and credit unions.

Associates: Policy and Standards Department, Pensions Review Division

The Pensions Mis-selling Review is of major significance for consumers throughout the country. Its unprecedented scale in regulatory terms also makes it a very major project for the FSA, and it is at the cutting edge of consumer protection.

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- The Bank Examiner of Investment Products will be responsible for field inspection of bank dealing rooms, investment companies, money changes, and all business entities involved in investment, marketable securities, foreign exchange and derivatives business.
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- The Investment Analyst will be responsible for managing investment in treasury deposits, government securities, other marketable securities, and foreign exchange.
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Interested candidates should forward their CV together with recent photo before end of September 1998 to Mr. Salim Al-Adab, Manager Personnel Division - PO Box 854 Abu Dhabi: Fax No.: (971-2-665978).

Response will be sent to all applicants with date and place of the interview for the selected ones.

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Contact Alex Babic

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This opportunity rewards the best candidates with early responsibility, clear career progression, and good financial remuneration.

Contact Kathryn Thornton

US Bank — ***M&A Associate***

£60 + bonus and benefits

Our client is a global US investment bank which provides high level advisory services. Renowned for granting autonomy at Associate level, this role represents a coveted opportunity to get involved in high profile transactions through all stages of the deal life cycle.

Our client demands:

- A background in M&A of at least 2 years from a quality institution.
- An outstanding academic background and a professional qualification (ACA, LLB, MBA).
- A second language would be advantageous.

This opportunity would suit a Corporate Financier who seeks the opportunity to increase their profile with the security of a high-calibre deal flow. This opportunity secures a position with a brand-name house that is assured of a prominent part in the market augmentation of the new millennium.

Contact Amanda Lote

16–18 New Bridge Street, London EC4V 6AU
Tel: 0171 583 0073 Fax: 0171 353 3908

BADENOCH & CLARK
recruitment specialists

Project Finance Team Leader

Tax free compensation plus generous ex-patriate benefits — **MIDDLE EAST**

Our client is one of the Gulf's most significant institutional investors and has one of the most successful Project and Trade Finance groups in the region. As a consequence, it has been involved in many high profile projects across the Middle East. Due to the continued success of the business there is currently the requirement to hire a team leader who will manage one of the project finance teams, consisting of a small (2-3) high performing and high calibre group of individuals. The role will be a combination of business originator, leader and coach.

The Position

- Source and negotiate project finance deals across a region.
- Manage, coach and develop the team.
- Negotiate and organise syndicated loans.
- Prepare analyses of credit and cash flows.
- Liaise and work with the appropriate divisions within the institution.

The Requirements

- Extensive project finance experience gained within a leading project finance bank.
- Experience of managing and leading a team.
- Strong commercial skills.
- PC literate.
- The successful candidate will also combine the following qualities: strong intellect, energy, focus, team playing and open-minded attitude.

Please send your CV with current salary details to: Metin Mitchell, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90279C/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

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